

# BUSINESS WEEK

JUN 10 1945

WEEK  
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Problem No. 1 for the President's Advisory Defense Commission: to get plane production.



# STENO TYPE

## The Machine-Age Way in Dictation



EVERY letter you sign is the result of teamwork. You supply the words . . . your secretary puts them on paper. The factors of neatness, accuracy, prompt delivery to your desk . . . of your satisfaction, the impression your letter makes on your correspondent, and total letter cost—these make the whole operation important.

An increasing appreciation of this has turned thousands of alert executives to Stenotypy—the machine-age method of taking dictation which gives them a better job, handled more quickly, whether they are dictating letters, memos, bulletins, instructions, or reports, depositions, speeches, or specifications. And these executives have found, too, that in cost terms, Stenotypy is a real economy.

This machine-age way of taking dictation supersedes shorthand as naturally and logically as the typewriter replaced longhand. The Stenotype—light, small, and silently operating—provides dictators with the speed and accuracy possible only with a machine. In modern office practice, it is the ally of the typewriter, Multigraph, Comptometer, bookkeeping machine. It



retains the "personality factors" of your secretary,

while it increases her ability to do better work more easily.

More easily . . . because she uses ten fingers instead of three, and types your dictation in plain English letters . . . better, because she does it more accurately. In fact, she gives you verbatim performance.

You can prove for yourself that the same advantages which have given Stenotypy outstanding leadership in the reporting field (court and convention) will bring greater efficiency in your own office . . . save

your executive time . . . give more flexibility to your daily program . . . and improve your correspondence.

The simplest way to prove this is to telephone your local business college for a complimentary demonstration of Stenotypy right in your own office and in connection with your executive correspondence.

Better get *all* the facts before you NOW—have your secretary send at once for a booklet written especially for busy executives—"Stenotypy in Your Office"—it's gratis.

### Stenotypy

- speeds up your dictation
- saves your transcribing time
- has interchangeable printed notes
- gives you machine accuracy
- lets you "talk" your dictation
- gives you your own reporting service for meetings, conferences, etc.
- liberates your secretary from eye-strain and nerve fatigue, gives her more time for other important duties

### For Secretaries Only!

Stenotypy lightens your day . . . lessens dictation worries . . . gives you a speed reserve equal to the greatest fast-talking emergencies. It's more comfortable . . . machine-typed notes are always legible. Learn what you can do with Stenotypy and what it can do for you. Send right now for FREE BOOKLET—"Advantages to You in Stenotypy."

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The Time-Tested Shortwriting Machine—Approved by Thousands of Executives

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## MATERIALS HANDLING GETS

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FARES"****HEWITT  
CONVEYOR BELTS**

... keep handling costs down to bed-rock. Spectacular HEWITT developments in rubber and synthetic compounds bring every materials handling problem a set of powerful allies—qualities that stand off abrasion, moisture, weather checking, heat, oil, and acid. And the advanced engineering of HEWITT constructions completely defeats ply separation and cover stripping—offers you a new assurance of longer life and lower operating costs. Let your HEWITT distributor help you bring reduced fares to the materials handling problems in your plant. You'll find him listed in the classified telephone directory of any industrial center under "Rubber Goods" or "Belting."

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**THIS  
BUSINESS WEEK****BUSINESS  
WEEK**

Acme, Harris &amp; Ewing

As THE WAR in Europe approached a new crisis this week, Washington began to draw heavily on U. S. business in the feverish speed-up of the defense program. In the glare of the spotlight this week was the President's new Advisory Defense Commission, set up to coordinate all defense activities. (On the cover, seated from left to right in front of the President at the first meeting of the commission, are William S. Knudsen, president, General Motors; Ralph Budd, president, Chicago, Burlington & Quincy Railroad; Edward R. Stettinius, Jr., who resigned this week as chairman of the board of U. S. Steel; Secretary of War Harry Woodring; Attorney General Robert H. Jackson; Leon Henderson of the Securities and Exchange Commission; Secretary of the Navy Charles Edison; Harriet Elliott, dean of women, University of North Carolina; U. S. Chief of Staff General George C. Marshall—with his face turned—and Chester C. Davis of the Federal Reserve Board. Absent: Sidney Hillman, president, Amalgamated Clothing Workers.

But the real part business is to play in the defense program isn't in the spotlight yet. This week BUSINESS WEEK digs into the confusion that is the defense program, draws out the basic facts of importance to business, and presents them in a report to executives on page 51. . . . INTRODUCING THIS REPORT, on page 40, an important statement of policy as business organizes for defense.

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# The Client Nobody Wanted

This plant's accident "past" was so poor that those insurance companies lacking effective means of helping it build a safety "future", shied away from its workmen's compensation.

But to American Mutual, a past accident record is one guide to what must be done to bring about safer working conditions. Of prime significance is the sincerity of Management wanting to build a safety future.

Investigation of this plant disclosed that Management was awake to the need of aggressive, forceful change. Our engineers became convinced that with proper organization, safety could be installed, and they recommended acceptance of the plant's insurance.

Safeguards were devised, methods improved — under guidance of American Mutual safety experts who also knew the production methods employed in this type of plant.

Today, after five years, the accident record has been so improved that instead of paying far more for insurance than competitors, the plant is paying less — \$607 less per \$1000 of normal premium for such operations than it did before American Mutual helped cure its accident trouble.

Meanwhile, the firm has profited as thousands of others have from American Mutual's service of refitting men who have been injured . . . and from cash dividends of 20% or more, paid regularly by American Mutual and its affiliate on almost all forms of insurance except life.

American Mutual Liability Insurance Company, Department H-7, 142 Berkeley St., Boston, Mass. Branches in 59 of the Country's Principal Cities.

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## "YOUR OPTION'S UP AT 4 P.M."



THE Vice-President glanced at his watch. It was 11 a. m. He turned back to the phone.

"What you've told us about the new plant site sounds fine," he said. "But we must have more information about tax trends and the local employment and labor situation..."

"But your option's up at 4," warned the voice on the phone. "And I don't know how to get all that in a hurry up here in Batavia."

"I do," said the Vice-President. "Listen..."

Half an hour later the company's agent was in conference with a Batavia banker. By 3 o'clock the Vice-President had the information he needed. By 3:45 he phoned an O. K. to take up the option.

Such important information about local conditions around Batavia, N. Y., was quickly made available to this manufacturer by an officer of a Marine Midland bank in Batavia because his company is a Marine Midland customer.

There are Marine Midland banks in 37 other trading centers throughout New York State. Any of our officers will gladly show you how we, through these banks and their knowledge of their local communities, can save your business time and money in this State—the world's richest market.



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**MARINE MIDLAND**  
TRUST COMPANY OF NEW YORK  
120 Broadway

*At the Gateway to New York State, the  
World's Richest Market*

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## NEW BUSINESS

### U. S. A., 1940

ONE RESULT of the South's spring cold wave, which put Palm Beach tourists in overcoats and discouraged young plants, has been a sharp increase in imports of early vegetables from Cuba and Mexico. In the six months ending April 30, Cuba sent the United States more vegetables than in any other similar period in history, 75% more than in the previous shipping season, while Mexican exports to the U. S. increased 21%. . . . Now THAT the Federal Communications Commission has given the green light to frequency modulation broadcasting, both Western Electric and General Electric are going ahead full speed with plans for quantity production of the new transmitters and receivers.

### Box Office

WHEN a Connecticut water company had to build a new tank smack in the center of an aristocratic residential section, it submitted several possible designs to the property holders. They chose a camouflage that looks like a Greek temple and let the company go ahead. . . . FOR FARSIGHTED newly-weds: Hundreds of building and loan associations in the United States are backing a new savings plan that stresses the fact a home can be bought for rent money, over a 10-to-20-year period. Anyone who can put aside \$10 a month is eligible and can move in as soon as enough is saved to make a down payment. From a standing start, it takes two or three years to meet the first instalment. . . . EVERYTHING but a model family is included in plans for a six-room house which the Institute of Boiler and Radiator Manufacturers is building on the campus of the University of Illinois for experiments in steam and hot water heating.

### Our Times

ON THE MENU at an inventors' banquet celebrating the 150th anniversary of the founding of the patent office were "vacuum tubers," potatoes prepared to look like radio tubes; "carborundum canape," caviar molded to appear like grinding wheels; and "aluminum nuts," salted nuts rolled in a powder that resembles aluminum—all processes or inventions that hadn't been heard of 150 years ago. . . . AS A SIDELINE, a Philadelphia company best known for its saws—Henry Disston & Sons, Inc.—took on the manufacture of light armor plate for airplanes and tanks about eight years ago. Swamped with government orders, it celebrated its 100th anniversary last month by opening a new one-story, block-long armor plate factory. . . . JUST TO EASE the minds of those who worry about a possible war-time shut-off of Far Eastern crude rub-

ber, there will be still another source of American synthetic rubber—the R. F. Goodrich Co. And Standard Oil of New Jersey announces "butyl," a new synthetic rubber supplementing its recently-acquired "buna."

### Transportation

TUESDAYS on the North Western Lines are bargain days for small farmers. They can ship one or more hogs, sheep, or steers for charges based on carload rates. . . . IN ITS FIRST 27 days of operation, Railway Extension Service, Inc. (BW—Apr 27 '40, p. 20), rented automobiles at railway terminals to 750 persons for business and pleasure trips that averaged about 90 mi. apiece. . . . THE SUSQUEHANNA has a new freight station at Edgewater, N. J., the line's most important freight terminal. The former local office, in use for 25 years, consisted of two passenger car bodies and a connecting shed. . . . A WAY TO SAVE time on long distance hauls has been figured out by a Kansas City trucker. He specializes in hauling freshly-killed meat, which he freezes en route with a gas motor and refrigeration coils installed in his truck.

### What's New?

THE NOZZLE on a new lawn sprinkler is five feet above the ground—so that the kids can put on their bathing suits and play in the water while the grass is being soaked. . . . A PUBLISHING COMPANY that has distributed many novelties through its magazine outlets has patented the "weekly blade"—a razor blade with the days of the week stamped on its edges, so that by using each side of both cutting edges twice, except for one side which is reserved for "Sunday," a man can make the blade last out a week. . . . THE OHIO CULTIVATOR Co. has added a lime spreader to its line of farm implements built with rims ready for old automobile tires that may be lying around the farm. Discarded tires are good for years of wear on slow-speed farm tools.

### Lie Test for Applicants

THE LIE DETECTOR, called the "polygraph" by criminologists because it records several physical reactions such as pulse rate, blood pressure, and respiration, is more valuable for the elimination of innocent suspects although it also catches criminals. Two cities use it as part of the routine examination for jobs on the police force and civil service applicants in East Cleveland have to have a satisfactory lie detector record before they can get a job. The International City Managers' Association reports. . . . USING a patented process, a Chicago typographer can take a proof of an advertisement and make it fit different space allotments even if not of the same proportions as the original ad.

# WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)—If industry is allowed to handle the job of organizing for armament production under its own bosses—and Roosevelt is emphatic in asserting that his extra-cabinet commission will have every necessary power to get production—then industry must also assume responsibility for delivering the goods. That is the President's unequivocal attitude. Hence, if the machinery for carrying the double burden of supplying the requirements of domestic defense and the needs of the Allies fails to work, industry must be prepared to see the New Deal take over and tell industry what to do, according to its own notions.

The implications that such a program would carry for the socialization of industry as a deliberate political doctrine should be clear.

Even in the hands of Knudsen, Stettinius, Hillman, *et al.*, some regimentation of certain industries is unavoidable if the job is to be done. The difference lies in attitude and ultimate objective. The defense commission will do as little regimenting as possible; the New Dealers would be looking for the opportunity.

## Tight Squeak for Industry

THE NARROW MARGIN by which industry won out in the fight for defense authority has been clear in Roosevelt's inching disclosure of the real functions and authority of the Advisory Defense Commission.

A pattern is developing that is already broader than anything required for our present \$4,500,000,000 program and is susceptible of infinite expansion.

## Bird in Hand

FIAT POWERS to regiment industrial production are only available to the President and through him to his defense commission under the National Defense Act of 1916 "when war is imminent" or under way. Apparently, Roosevelt would rather be understood as thinking war imminent now than go to Congress for new emergency powers to deal with conditions, for Congress is showing faint signs of recovering from the mental paralysis that afflicted it when Hitler's legions drove to the English Channel and Roosevelt announced his rearmament program, piecemeal-fashion.

Although all defense appropriations will go through without opposition, a group of Senate Democrats, led by Wheeler of Montana, George of Georgia, McCarran of Nevada, and Clark of Missouri, is fighting the granting of any emergency powers to Roosevelt, including the request for power to mobilize the National Guard. They are joining Republicans in demanding that Congress remain in session and not vest any of its

constitutional war powers in the President.

## Guard Duty: 1940

TO ESCAPE from hornet's nest stirred up by his request for authority to call out the National Guard, the President has offered a disarming explanation that doesn't tell the whole story. Only part of it was told to the House Military Affairs Committee by General Marshall, chief of staff. The President's version is that he merely desires authority to call the guardsmen to duty to points in the U. S., replacing regulars rushed to possessions such as Puerto Rico and the Canal Zone. Inside story is that the President is disturbed by reports of German agitation in Brazil, Uruguay, Venezuela, and Mexico. He doesn't know how serious the situation may turn out to be, but wants to be prepared if there is a *coup d'état* in those countries and the *de jure* governments need assistance. In such an event, regular troops would be sent from this country, Puerto Rico, and the Canal Zone, and might, according to the original plan, be replaced with guardsmen.

## Club over Labor

ROOSEVELT is not averse to permitting the threat of Wagner Act amendments to hang over labor's head. If labor makes trouble over orders for the Allies or for national defense, he might even give them a shove, but don't look for final enactment of any changes this session.

## Watching the Watchers

ARMY AND NAVY Intelligence units are keeping close watch on their own civilian employees for Fifth Column activities. Reason is that these departments must hire from the top of civil service lists and are wary of certain employees who have studied for years to get on the inside.

Intelligence officers believe that some 1,000 suspicious persons already on record in Washington alone would be picked up overnight if war came.

## Farm Aid for Allies

A TRIAL BALLOON (to be inflated later) anticipating that public sentiment will swing to granting credits to the Allies is embodied in the legislation authorizing the RFC to earmark a billion dollars to finance government or private plants for manufacture of defense requirements, and to purchase strategic raw materials. By this provision, the RFC would be authorized to make advances on the purchase price of needed materials, deliveries to be made later. Where practical, such advances would be expended on purchase of raw or finished farm products for export.

Other moves to interest Midwestern

farmers in aiding the Allies are speeding up. Senator Josh Lee would have Uncle Sam buy up "surplus" farm products, give them to the Allies to feed the refugees.

★ The Mailbag: Congressmen's mail is growing heavier with letters urging more aid to Allies, including indorsement of Senator Pepper's proposal to release Army and Navy equipment. Sentiment also is running in favor of Congress staying on the job.

## Diplomatic Foresight

AMERICAN-CANADIAN RELATIONS, in the event of a German victory in Europe, are a matter of growing concern to Washington, but most major decisions must be postponed until Congress can act on them. Not so in the field of diplomatic personnel. Insiders know that the President and the State Department were considering the possible removal of the British capital from London to Ottawa when, with almost indecent haste after the Cromwell resignation, they appointed as Minister to Ottawa J. Pierrepont Moffat, high-powered State Department trouble-shooter who went with Sumner Welles to Europe this spring.

If Ottawa becomes the temporary capital of the British Empire, or even an independent republic, Washington would immediately boost our Ottawa legation to the rank of an embassy.

Similar forethought was behind the appointment of Clarence E. Gauss to Australia. He left California recently to become our minister to Canberra. His rank may be boosted to ambassador even before he can present his credentials.

## Weak Bridges Must Go

DETOURS YOU'LL DRIVE OVER for some time to come are going to be around bridgebuilding jobs more often than around paving or road-widening work. Army and Public Roads Administration studies reveal that, from a military point of view, the road system's big weakness is the multitude of old weak bridges (from a civilian point of view it's access roads into cities). All states must get approval for federal-aid road projects from PRA and it will insist that a sizable number be aimed at reducing the list of weak bridges in its files.

★ Only temporary: Detours of all kinds will be fewer a year from now. At the President's insistence, the House cut road funds for fiscal 1942 and 1943 20% below committee recommendations for \$238,000,000.

## House Asserts Itself

BILLIONS FOR DEFENSE but not \$500,000 to protect vital Connecticut munitions



# RIGHT TEMPERATURE IN EVERY ROOM FOR \$100 LESS A MONTH

Steam Heating Economy Effected  
by Webster Moderator System  
in Hotel Harrisburger

LUXURY HEATING AT LOW COST

All Sections of Hotel Are Kept  
Comfortably Warm Regardless  
of Weather Conditions

STEADY, EVEN HEAT ASSURED

Harrisburg, Pa.—The cost of steam heating service in the Hotel Harrisburger has been reduced "at least \$100 each month during the heating season and usually considerably more" as the result of a Webster Heating Modernization Program carried out in 1933.

James A. Johnston, Manager of the Hotel Harrisburger, says:

"Since the installation of a Webster Moderator System, we have found that our steam heating bill is reduced by at least \$100 each month during the heating season and usually considerably more. This is done without any loss in efficiency in heating the building and without discomfort to our guests."

The Hotel Harrisburger is a member of the American Hotels Corporation and is well known for its fine accommodations.

The steady, even heat provided by the Webster Moderator System keeps all sections of the Hotel comfortably warm.

In mild weather, the Webster Moderator System keeps radiators mildly warm and reduces annoying overheating. In subzero weather, adequate heat is provided in every section of the Hotel. The basic rate of steam delivery is adjusted automatically by a Webster Outdoor Thermostat with every change in weather conditions. A manual Variator allows the operator to take care of special conditions such as heating-up and reduced night heating.

The entire cost of the Webster Heating Modernization Program was recovered out of steam savings in six heating seasons.

Herre Brothers, of Harrisburg, acted as modernization heating contractors. There is a total of 13,000 square feet of installed direct radiation.



Hotel Harrisburger,  
Harrisburg, Pa.

## LOW HEATING COST

GET THIS BOOK . . . Read the fact stories about economy and comfort in the heating of 144 buildings. No exaggerated claims. No promises. Just 64 pages of heating results. Ask for "Performance Facts."

WARREN WEBSTER & CO., Camden, N. J.  
Pioneers of the Vacuum System of Steam Heating  
Representatives in 65 principal U. S. Cities—Est. 1888

centers from flood shutdowns! That's a House ultimatum because the Senate trod on its legislative toes.

Hartford's 1936 flood washed out production at United Aircraft Corp. plants, making half our warplane engines and the bulk of our propellers; Colt's Patent Fire Arms Co., supplying the Army with machine guns, airplane cannon, and side-arms; and the Pratt & Whitney Machine Tool Co.

To prevent a recurrence, Army engineers recommend dikes costing half a million. Promptly the Senate shirttailed authorizing legislation to the War Department appropriation bill. House members shouted down the authorization because the Senate had usurped their legislative prerogative.

★Likely: Word from the White House that will get action.

## Labor Peace Chances Grow

WHATEVER confirmation Washington needed for the report that the President was firmly insisting on an A.F.L.-C.I.O. reconciliation (page 30) was supplied by that letter which William Green sent David Dubinsky, president of the International Ladies' Garment Workers' Union this week. As part of the bait to get the independent I.L.G.W.U. into the A.F.L., Green said the federation's executive council would recommend two important changes in procedure at the next convention: (1) Revoke the special assessment collected to fight the C.I.O.; (2) divest the executive council of its power to suspend an affiliate without majority convention vote.

★Sour note: "Futile" was the word John Lewis of C.I.O. used to describe the projected resumption of peace negotiations. But Washington wasn't impressed, thought that negotiations might not be formally resumed, but conciliation might just happen anyway.

## What the Court Did

THE SUPREME COURT's record during the term ended this week had two important aspects: (1) In a series of decisions involving the Wage-Hour and other New Deal laws, the court continued to interpret broadly the powers of administrative agencies. (2) In a series of decisions growing out of the Administration's vigorous antitrust policy, the court held that patent rights don't extend to controlling the resale price of a product and that a price-fixing combination is illegal *per se*.

The court also rejected the contention of labor unions that they are wholly exempt from the Sherman Act, held that they are subject to the prohibitions of the law when acting with monopolistic intent. Next session the court will rule on the government's contention that the American Medical Association is subject to the antitrust laws. A.M.A.'s petition for a writ of *certiorari* was denied this week.

## Conventions, Now or Later

DON'T REALLY LOOK for a postponement of the Democratic convention until September. It probably won't be done. But if it is, think of the poor Republicans! They won't even know whom they have to fight until three months, instead of three weeks, after they have picked their candidates and written their platform. In fact, they won't even be sure what to fight about!

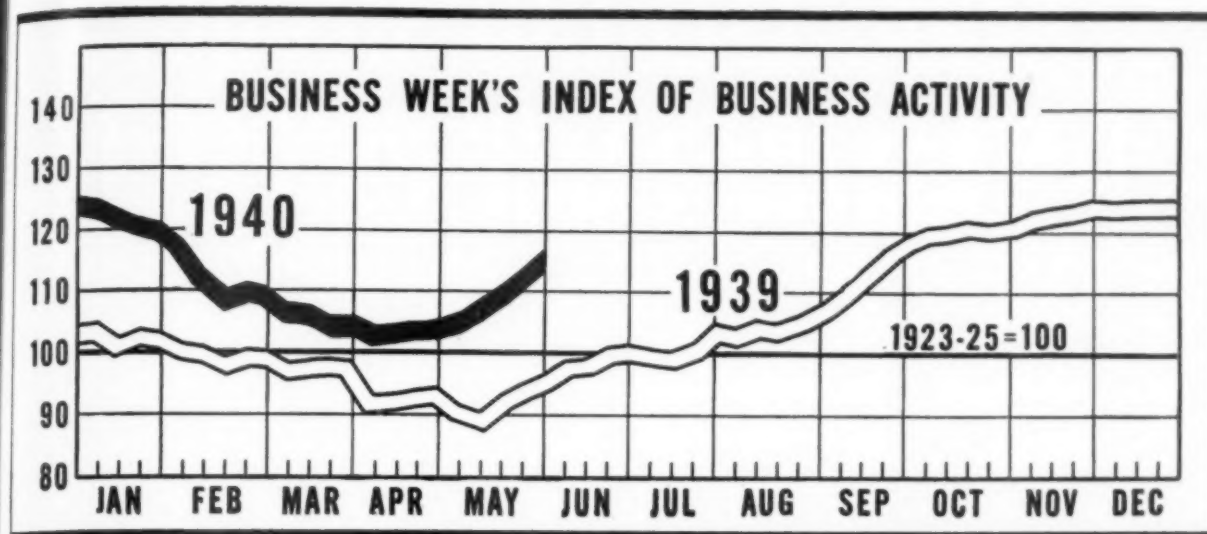
They are laying plans now, though, on the assumption that it will be Roosevelt, whether in July or September, and we advise against betting that they're wrong.

September is suggested for the Democratic convention because the war developments make July too early. Experts agree that the only way the war could end by that time would be by a German triumph. That would leave plenty of grief on our doorsteps, while continuance of the war would be just as good an argument against "swapping horses in midstream." Looks like "heads I win, tails you lose" from F. D. R.'s standpoint.

## P. S.

FOREIGN ENEMIES may never fight as hard to capture our small military posts as Congressmen are battling to retain them. Under the national defense program, it is proposed to abandon at least 12 smaller forts, relics of frontier days but cushy sources of business for nearby towns. . . . WAR AND NAVY Department offices resemble Chamber of Commerce conventions these days as managers and secretaries, accompanied by mayors and municipal spokesmen, move on Washington to secure airbases, student pilot training camps, and other defense manna that will be handed out. So heavy has the onslaught become that special officers have been assigned as buffers. . . . TALK of increasing postage rates from 2¢ to 3¢ and 3¢ to 5¢ for local and outside mail, has been smothered by the Post Office Department. . . . AS A TOKEN of the extent to which Washington's eyes are turned on the Pacific, note the Senate's approval of a \$232,000 appropriation to store seed in Hawaii for growing foodstuffs, if imports should be interrupted. . . . TYPICAL of ridiculous rumors flying around is the report that the government will take over the entire output of nylon for parachute use. Parachutes are not a critical item. All that might be needed can be turned out in short order. The Army is experimenting with rayon as substitute for silk and may test nylon.

## THE FIGURES OF THE WEEK



## THE INDEX.....

% Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
*116.9	114.1	106.9	125.7	96.7

## PRODUCTION

Steel Ingot Operations (% of capacity).....	80.3	76.9	65.8	92.8	84.2
Automobile Production .....	60,980	96,810	99,305	93,638	32,445
Engineering Construction Awards ( <i>Eng. News-Rec.</i> , 4-week daily av. in thousands).....	\$10,180	\$9,190	\$9,092	\$11,274	\$10,951
Electric Power Output (million kilowatt-hours).....	2,332	2,449	2,386	2,539	2,114
Crude Oil (daily average, 1,000 bbls.).....	3,749	3,836	3,679	3,289	3,559
Bituminous Coal (daily average, 1,000 tons).....	1,327	1,278	1,314	1,767	1,021

## TRADE

Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	71	72	70	78	67
All Other Carloadings (daily average, 1,000 cars).....	43	41	38	45	37
Check Payments (outside N. Y. City, millions).....	\$4,552	\$4,791	\$4,697	\$4,100	\$3,761
Money in Circulation (Wednesday series, millions).....	\$7,685	\$7,613	\$7,570	\$7,462	\$6,968
Department Store Sales (change from same week of preceding year).....	None	+5%	None	+5%	+8%

## PRICES (Average for the week)

Spot Commodity Index (Moody's, Dec. 31, 1931=100).....	153.2	153.3	161.9	161.0	143.5
Iron and Steel Composite ( <i>Steel</i> , ton).....	\$37.55	\$37.51	\$37.17	\$37.26	\$35.59
Scrap Steel Composite ( <i>Iron Age</i> , ton).....	\$18.58	\$18.17	\$16.75	\$18.25	\$14.56
Copper (electrolytic, Connecticut Valley, lb.).....	11.500¢	11.338¢	11.108¢	12.500¢	10.000¢
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.82	\$0.83	\$1.05	\$0.86	\$0.79
Sugar (raw, delivered New York, lb.).....	2.73¢	2.74¢	2.81¢	2.95¢	2.87¢
Cotton (middling $\frac{1}{8}$ ", ten designated markets, lb.).....	9.88¢	19.94¢	10.35¢	9.73¢	9.47¢
Wool Tops (New York, lb.).....	\$0.974	\$0.933	\$0.967	\$1.162	\$0.859
Rubber (ribbed smoked sheets, New York, lb.).....	21.55¢	20.42¢	20.03¢	20.06¢	16.41¢

## FINANCE

Medium-Grade Corporate Bond Yield (30 Baa issues, Moody's).....	15.22%	5.21%	4.68%	4.92%	4.92%
U. S. Bond Yield (average of all issues due or callable after twelve years).....	2.48%	2.47%	2.25%	2.36%	2.10%
U. S. Treasury 3-to-5 year Note Yield.....	0.83%	0.77%	0.45%	0.60%	0.37%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	$\frac{1}{2}$ - $\frac{3}{4}$ %	$\frac{1}{2}$ - $\frac{3}{4}$ %	$\frac{1}{2}$ - $\frac{3}{4}$ %	$\frac{1}{2}$ - $\frac{3}{4}$ %	$\frac{1}{2}$ - $\frac{3}{4}$ %
Business Failures (Dun & Bradstreet, number).....	239	237	292	264	249

## BANKING (Millions of dollars)

Demand Deposits Adjusted, reporting member banks.....	20,287	20,201	19,696	18,972	16,965
Total Loans and Investments, reporting member banks.....	23,524	23,544	23,542	23,150	21,680
Commercial and Agricultural Loans, reporting member banks.....	4,367	4,394	4,409	4,381	3,822
Securities Loans, reporting member banks.....	959	1,018	1,100	1,159	1,267
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	11,480	11,494	11,387	11,121	10,202
Other Securities Held, reporting member banks.....	3,569	3,488	3,494	3,382	3,262
Excess Reserves, all member banks (Wednesday series).....	6,360	6,370	6,110	5,135	4,218
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,511	2,520	2,500	2,605	2,573

## STOCK MARKET (Average for the week)

50 Industrials, Price Index (Standard Statistics).....	88.5	88.9	117.3	119.3	111.7
20 Railroads, Price Index (Standard Statistics).....	23.2	23.0	30.7	31.8	28.0
20 Utilities, Price Index (Standard Statistics).....	53.9	154.5	67.9	68.5	67.1
90 Stocks, Price Index (Standard Statistics).....	73.0	173.4	98.0	97.7	91.7
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	518	11,051	697	678	482

\* Preliminary, week ended June 1st. † Revised. ‡ New series. § Date for "Latest Week" on each series on request.

# GENERAL ELECTRIC REDUCES G-E MAZDA LAMP PRICES!



**LOOK! NEW  
LOW PRICES  
ON FIFTY  
POPULAR  
SIZES FOR  
HOME AND  
BUSINESS!**

**YES! AND  
FLUORESCENT  
LAMPS ARE  
REDUCED  
FOR THE  
SECOND TIME  
THIS YEAR!**



## 20<sup>TH</sup> MAJOR PRICE REDUCTION IN 19 YEARS!

*New Prices Effective June 1, 1940*

7½, 15, 25 watt G-E MAZDA lamps.....now	10¢
40, 50 and 60 watt.....were 15¢.....now	13¢
75 and 100 watt.....previously reduced to	15¢
150 watt.....previously reduced to	20¢

### FOR STORES, OFFICES AND FACTORIES

200 watt.....was 30¢....now	27¢
300 watt (medium base).....was 50¢....now	45¢
300 watt (mogul base).....was 70¢....now	65¢
500 watt.....was \$1.20...now	\$1.10
750 watt.....was \$3.75...now	\$3.25
1000 watt.....was \$4.00...now	\$3.50
1500 watt.....was \$5.75...now	\$5.25

*Prices also reduced on Silvered Bowl, Rough Service  
and Daylight Lamps*

### MAZDA "F" FLUORESCENT LAMPS (Daylight and White)

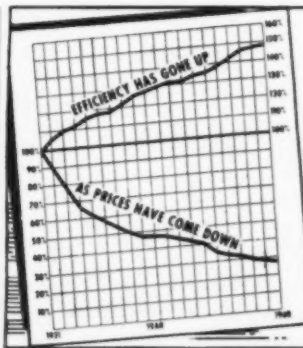
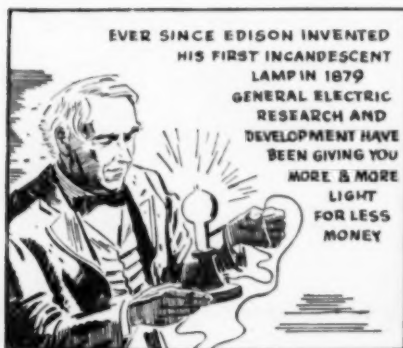
15 watt T-8.....was \$1.15....now	95¢
15 watt T-12.....was \$1.45....now	\$1.25
20 watt T-12.....was \$1.65....now	\$1.25
30 watt T-8.....was \$1.50....now	\$1.25
40-watt T-12.....was \$2.30....now	\$1.90

*Prices also reduced on blue, green, pink, gold, and red "F" lamps*

### NEW! G-E (Type D) WHITE LAMPS...30 and 60 watt...10¢

Their new white coating absorbs approximately 10% of the light initially, but diffuses the light to the edge of the bulb. The standard inside-frost finish on regular lamps absorbs only a negligible percentage of the light.

## G-E MAZDA LAMPS GENERAL ELECTRIC



SINCE 1921  
PRICES OF G-E  
MAZDA LAMPS  
HAVE COME  
DOWN 73%  
WHILE EFFICIENCY-  
amount of light  
for current  
consumed-  
HAS GONE UP  
47%





# BUSINESS WEEK

June 8, 1940

## THE BUSINESS OUTLOOK

**Rise gathers more momentum and helps business build up an internal immunity against events abroad. But Somme-Aisne battle will have a critical bearing on near-term trend. Markets seem dubious.**

THE ADVANCE IN BUSINESS continued to gather impressive momentum this week despite the reluctance of security and commodity markets to take the recovery at face value. Since April 6 the BUSINESS WEEK Index has risen without a single interruption from 104.3 to 116.9. The over-all gain—12% in the short space of two months—is in itself a force for further recovery. Not only does it generate confidence among executives whose own operations and earnings are expanding, but also it tends to dispel the disquietude over what a series of Hitler victories would do to domestic industry. With the steel rate rising from 60% to 80%, business is not going to pot.

### Confidence on the Rise

Here is a case where positive action by the government and by the business community builds an immunity against the emotional stress of events abroad. No matter how intensely tied up a business man is with the fortunes of the Allies, his immediate attitude to the things around him can be altered by a sheaf of orders in the day's mail. Orders, after all, are the equivalent of confidence or lack of confidence. And now that the government has started on a huge war-preparation program, it is inevitable that the orders will keep coming in. More, the defeat in Flanders and the German occupation of the French industrial region have forced the Allies to intensify and to accelerate their purchases of munitions here.

### Textile Industry Gets Orders

It will take months, of course, for war buying to become widespread. But you can be sure that it will spread—slowly and steadily like a blot of ink on a newspaper—to many parts of our domestic economy. Indeed, there are signs already. The textile industry, which has been a bystander to date in the war program, has begun to get some business. A government order has gone out for army hats, and bids are being asked on substantial yardages of woollens for army uniforms and overcoats. In time, no ram-part of our economic life will be free from this new influence—ordnance.

It is true that the chief impact has been on the aviation and steel industries

and that the steel producers probably have taken a good deal of business for granted. For the sharp step-up in operations has not been warranted by a commensurate increase in immediate steel consumption. And, as has been said here so often, automobile demand will taper off sharply now that the 1940-model runs are nearing completion.

But steel men, apparently, are taking the large view of things. They visualize the day when foreign and domestic users of raw and finished steel will be climbing over one another for ingots and for finished products—and they want to have inventories built up. For the company that can deliver on the dot will get the business. So it cannot be said that the tremendous rush to pro-

duce steel has been reckless. There is the possibility, of course, that the imagination of the steel makers may have exceeded the appetites of the consumers, and that a relapse in the rate may take place in late summer. That, however, remains to be seen. It is distinctly not an outstanding probability when a real war rages in Europe and this country is busy re-arming.

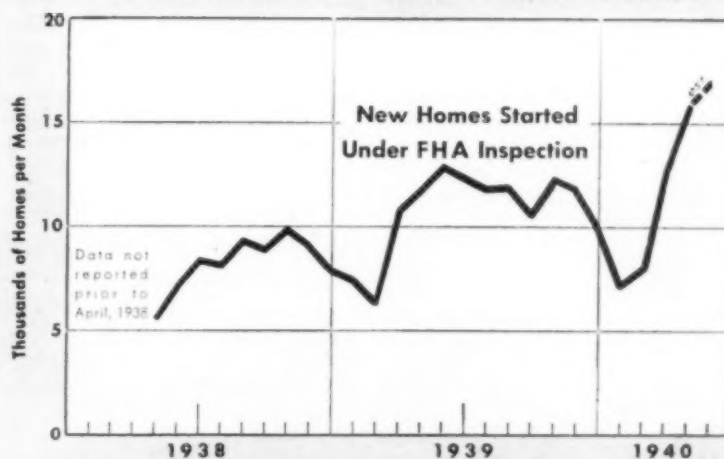
### Blueprint of the War

In the final analysis, the course of the war will determine the course of business; and it is not too difficult to blueprint the possibilities:

(1) A quick German victory would mean an immediate cessation of Allied orders and a speeding up of the domestic arms program. Post-war competition with German industry would cut down profits here, but would take several years to develop on a large scale (*BW—May 25'40, p.13*).

(2) A protracted war beyond this year, in which the industrial aid of this

### IN THE OUTLOOK—NEW HOME BUILDING



Date: Federal Housing Administration

© BUSINESS WEEK

Intensification of the war in Europe apparently did not scare Americans off building. Proof is the sharp increase in inspections of new homes by Federal Housing Administration officials, who make it a point to examine the laying of foundations on homes for which applications for mortgage insurance have been made. The steady rise in the number of in-

spections—well into May, even after the German successes in Flanders—is a significant economic indicator of work actually started. Thus "New Homes Started under FHA Inspection" assumes importance as a business statistic—it's one step farther along in the building process than the more widely-used FHA series on mortgages selected for appraisal.

country probably would tip the scales in favor of the Allies, would mean a steady expansion in the heavy goods industries here; and a gradual spread of the increased activity to all types of products—even to luxuries.

(3) A quick Allied victory would mean cessation of Allied war orders but expansion in orders for goods for re-

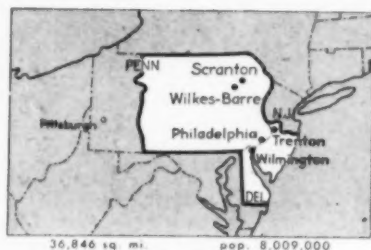
construction. The domestic armament program would slow down.

The markets—both stocks and commodities—are figuring right now on a short war; on the theory that the German drive is so tremendous that either it must (1) succeed in crushing the Allies quickly or (2) burn itself out.

In either case, business would suffer

a swift, sharp setback, during which it would be better to be out of stocks and commodities than to be in them. Yet, it would be unwise to count too heavily on that possibility. Each week of war broadens the prospect for business expansion. So the present battle of the Somme and Aisne will mark a critical turn for American industry.

## The Regional Business Outlook



**PHILADELPHIA**—Heavy industries are providing the impetus here in the current business rise. Payrolls in the steel towns particularly—Bethlehem-Allentown, Johnstown, Coatesville, Harrisburg—are increasing swiftly in response to armament and national defense demands.

Shipbuilding, one of the large steel consumers here, is very active. The industry now employs 40,000 to 45,000 persons in this area and Washington's speed-up orders on naval construction may bring a 20% to 50% expansion at yards in Chester, Pa., Camden, N. J., and this city.

### Plant Expansion Likely

The country's defense program is especially stimulating because "Philadelphia has more factories on the government's list of eligible receivers for war orders than any other city in the country" (*BW*—Oct 14 '39, p. 14). Aircraft and engine production will speed up, benefiting Williamsport, Pottstown, and Lock Haven, Pa., and New Castle, Del., as well as this city. Because of this Reserve district's big place in the arms program, plant expansion designed to enlarge capacity is probable.

Weak points now in the district's economy is the consumer goods industries. This year—not only here but throughout the country—a larger share of the consumer's dollar has gone into automobiles, new homes, and refrigerators, and so sales of apparel and shoes have slowed up. As a result, payrolls are not sensationally larger than last year in the Reading hosiery mills, the Scranton-Wilkes-Barre silk and rayon plants, or in the many shoe and textile factories in this city.



**CHICAGO**—Highlight of the current business advance here is the sensational rise in steel operations—from 55% of capacity to 85% in six weeks—in Gary, South Chicago, and neighboring steel towns. The defense program has hastened orders all along the line, and household appliance and container manufacturers are buying somewhat more than usual tonnages for this time of the year.

Freight car manufacturers expect big things once the program for building tanks gets under way, and automotive and machinery companies are laying plans to make aviation engines, armored cars, shells, guns, and other armaments.

The stock market decline has cut into new car sales locally as well as in the nation, threatening sharp curtailment in assemblies. But work on munitions may sustain payrolls at Detroit, Flint, Pontiac, Lansing, South Bend, and other motor centers.

### Price Drop Hurts Farmers

Farmers in this district have been hit by the latest war events. The declines in wheat and corn will be felt during the marketing season, and hogs have lost much of the price rise registered after the Scandinavian invasion (*BW*—Apr 27 '40, p. 13). Furthermore, chinch bug infestations—worse than in 1934—are reported in southern Iowa.

Already farm implement buying has fallen off—and the future of rural sales depends primarily on a rise in farm prices. In urban areas, however, business is described by merchants as "satisfactory," with department store volume running 7% ahead of a year ago.



**SAN FRANCISCO**—Right now income prospects are better here than in most agricultural areas and actual cash returns from marketings are running well above a year ago. Fruits, vegetables, and livestock provide the farmer's bread and butter in this Reserve district, and these prices did not break sharply—as did wheat, corn, and cotton—on the news of German victories in France.

### Consumer Goods Industries

Chief impact of the nation's enlarged national defense program has been on aviation. Accelerating demand for planes virtually assures steady expansion in plant capacity. However, this industry is pretty much localized in lower California, and the other manufacturing activities of the district—comprising consumer goods in the main—are not apt to be stimulated immediately by the war preparations. Motion pictures, auto assemblies, and canning—stable day-in and day-out industries—have not been markedly affected by the war's new turn. But in time, operations in the West Coast's steel plants will spurt, and copper mining may expand, too. Lumbering has previously responded to heightened domestic demands for pulp, following the disruption of shipments from Scandinavia.

Retail volume has not been visibly hurt by the drop in security prices. Dollar volume of department stores is holding steady—1% to 2% above last year. New car sales recently were 30% above 1939 and new home buying in April set a post-1929 record, affirming the view that sales opportunities in this Reserve district are better than average (*BW*—Mar 30 '40, p. 14).

The Regional Outlook surveys each week three of the twelve business areas of the country.

## Ready to Pay Defense Price

**Public sentiment, forged by pressure of events, supports Congress in boosting new taxes from first proposal of \$600,000,000 to maybe a billion.**

WASHINGTON (Business Week Bureau)—So thoroughly has Washington communicated its fears to the country that the Administration couldn't, if it would, get away now with any lick-and-promise program. That goes for defense preparations (page 51) and also, to a remarkable extent, for hiking taxes. The Administration talked ominously for months of Europe's war, but the amount of money needed to pursue a vigorous policy of national defense has been constantly understated—underestimated if you like, but understated is more accurate.

Regardless of the fact that the Army has been almost as much amazed as any layman by Germany's offense methods, preparation for war can't proceed in this country any faster than public sentiment will allow. Having taken a small bite into national defense in the \$2,000,000,000 appropriation which was framed last January, there was a virtual conspiracy to let more national defense and the precarious fiscal situation ride until after the election.

Neither the President, the generals, the admirals, nor the naval or military committeemen on Capitol Hill thought the public would stand for spending the billions that real defense will cost. And as for paying the bill in taxes, such a prospect for an election year was never considered for a moment by any politician in his right mind.

### Precipitating New Conditions

Then came the invasion of Denmark, Norway, Holland, Belgium, and France. Roosevelt went to Congress with a request for boosting the defense program to \$3,200,000,000. The flood of mail showed the White House and Congress that the people had been aroused to the situation. Political cowardice was transmuted into political courage. The President followed with a proposal that the cost of his defense program be met by raising the debt limit and offsetting it by a tax program spread over five years.

But even this wasn't the end. Belgium's king surrendered, and the débâcle in Flanders was completed. Then, for the first time since Gettysburg, real fear began spreading in the country whether this nation could go on being what it has been. The President asserted the need for another \$1,227,000,000 for defense, and Congress today is talking in terms of realistic tax legislation, designed to increase tax returns by as much as \$1,000,000,000 a year.

It's certain now that the President's 10% super-tax proposal either will be raised or absorbed in a much more extensive jacking up of the entire tax structure. "War" profits are likely to be subjected to heavy levies and the income tax base may be broadened by lowering the present \$1,000-\$2,500 exemptions.

### Against Consumer Taxation

The temptation is strong to slap on a manufacturers' sales tax. Even if food, clothing, and drugs were exempted it is estimated that such a tax at a 2% rate would produce \$800,000,000. Both Roosevelt and Senator Harrison, chairman of the powerful Senate Finance Committee, are on record as opposed to taxation that would hit consumers. War puts a different complexion on high principle, but if it comes to a showdown Congress isn't likely to go as far as a general sales tax now. There are limits to the Congressmen's new faith in the willingness of voters to pay considerably increased taxes.

Commonly regarded as only a drop in the bucket when compared to the extremity of the government's fiscal situation, the Administration's bill on which Congress began action this week would have yielded an estimated \$656,000,000 a year by imposing a 10% levy on income, excess profits, estate, and most excise taxes and by applying specific increases in the case of other excise and miscellaneous taxes. The increase in income taxes

would apply, of course, to 1940 income, but you can safely ignore talk of making it retroactive to 1939. The boost in excise taxes would become effective July 1 this year.

The Administration's bill was quickly left behind when the House Ways and Means Committee voted Tuesday to boost the debt limit by \$4,000,000,000 instead of the proposed \$3,000,000,000 and to raise the "take" in taxes from the original estimate of \$656,000,000 to \$850,000,000 or \$900,000,000 a year. Whatever tax legislation the House passes, the Senate is bound to write its own bill. It has practically usurped this function of the House in recent years.

If some stopgap measure is adopted now, a companion measure calling for a general overhauling of the tax structure is sure to follow in the fall or next session. A strong move to act before the public mood changes supports the distinct possibility, however, that Congress will return to Washington soon after the party conventions. In that case, the Senate Finance Committee will ditch the stopgap bill in favor of complete revision. This course probably would involve some loss of revenue from the proposed boost in excise taxes, which otherwise would have become effective July 1. Of course, the House may agree with the Senate on provisional action to put the increased excise taxes in effect at once, while withholding final action on the rest of the proposals.

### "Real Job" May Be Undertaken

Pushing hard for a big tax bill are Senators George Walsh, King, Gerry (Democrats); La Follette (Progressive); and Lodge (Republican)—all members of the Finance Committee. In the House, Bruce Barton is on record in favor of broadening the income-tax base.

Democratic Leader Barkley is nominally



Secretary Morgenthau started the ball rolling for the Administration's \$656,000,000 tax program last week when he testified before the House

Ways and Means Committee (above)—but the committee took the play away from him, boosted the taxes to almost \$1,000,000,000.



opposed to general revision now; Harrison has gone so far as to predict that a general overhauling would follow any stop-gap bill that might be passed now. Watch for the President to swing in behind the growing determination to do a real job.

Nothing specific will come out of Senator Byrd's agitation for a 10% cut in non-defense expenditures. To head off the

Virginia Senator's proposal for a mandatory cut, the President promptly revived this week the practice resorted to in previous years of calling upon agency heads to trim their spending schedules. The money thus saved automatically reverts to the Treasury, could not be diverted to national-defense purposes without Congressional action.

## P.A.'s Believe Materials Adequate

**Confidence that supply shortage will be averted is bolstered by lessons which buyers and sellers learned in last war. Industry lessens dependence on imports.**

WHILE ECONOMISTS DEAL with price movements, production rates, and economic trends, purchasing agents deal with the concrete, tangible commodities behind the statistics. The p.a. actually signs the orders for the steel bars to feed the machine lines, for the coal to feed the boilers, and for the paperboard containers in which to ship the finished products. The p.a. is a realist because to him a missing carload of essential material is not a theory or a figure, but may well be the reason why the plant shuts down and he is out looking for another job.

This week at Cincinnati over 1,500 of these realists set a new numerical high for an annual convention of the National Association of Purchasing Agents. Their convention program dealt almost exclusively with the present and the probable effects of war and national defense upon their responsibilities.

Significant of their craft's preoccupation with the effect of war upon purchasing was one box-office figure. Much the largest turnout for any meeting was for a luncheon at which Assistant Secretary of War Louis Johnson spoke on the Industrial Mobilization Plan. But the bulk of the talk was about such brass-tacks reports as their fellow-members who are specialists in various fields rendered in their fifteen-minute papers on the current situation in such major commodities as coal, fuel oil, lumber, steel, non-ferrous metals, textiles, paper, and industrial chemicals.

### Never Again, They Hope

Depending upon the man and upon his organization, a purchasing agent's job may be petty or important. Some men carry the title and merely follow instructions received from the higher-ups. A good many purchasing agents actually are higher-ups, who help shape company policies and design its products and its packaging.

Dominating the convention scene at Cincinnati were such stalwarts as the outgoing association president, Thomas D. Jolly, director of purchases and chief



Harris & Ewing

*George A. Renard, executive secretary-treasurer of the N.A.P.A., which convened last week to discuss the effects of war and national defense on commodity prices and supplies.*

engineer, Aluminum Co. of America, and the newly-elected president, George E. Price, Jr., general purchasing agent, Goodyear Tire & Rubber Co.

Average age of the conventioners was close to 50 years. Most of them had lived through the hell that was a purchasing department during the war of 1914-18. Unanimously they hoped never to experience anything like that again. Most of them seemed confident that demand could never outrun supply as it did then. They felt that business could and would so effectively prevent a runaway market that government would not have to take over the task.

Reason most frequently advanced for this belief is that the suppliers also lived through the previous war, learning lessons that are helping them now. One middle-aged p.a. was overhead laughing good-naturedly at a younger colleague's futile efforts to accumulate a year's stockpile of a major electrical unit required in his company's product. The youngster placed a big order for delivery within 30 days. The supplier sent around a seasoned sales executive to explain that it

would cheerfully guarantee its price for the term of the order, and would deliver the units at the rate of 10% a month, which its investigations disclosed as the maximum rate at which the customer could possibly use them. When the enterprising young man accepted, he promptly placed a duplicate order for identical monthly deliveries from another supplier. But the second outfit checked with the first, then respectfully turned down the business.

### Stability Seems Assured

Old-hand purchasing agents are sure that most of the important buyers and sellers can be trusted not to rock the boat, say that unimportant purchasers, and producers can't affect things significantly one way or another. Many a bouquet was tossed toward the steel companies' policy of checking unusual orders against requirements and reducing deliveries to actual needs.

Most delegates already had surveyed carefully the capacities of the industries from which they buy. Their conversations showed them to be uniformly confident that there will be plenty of domestic material, no matter how urgent a national emergency may arise. A few were willing to admit that, without fanfare, for several years they have been redesigning their lines to be ever less dependent upon imported materials. Example: One machine-tool manufacturer has redesigned his bearings to eliminate bronze, which requires tin, and to substitute steel ball bearings which are 100% domestically produced.

Representatives of companies dependent upon imported materials admitted to a few worries about continuing supplies. But even the big tire companies, prize instance of dependence upon foreign sources, assert they are not willing to accumulate advance stocks of crude rubber lest they be singed by a possible price decline.

### Purchasing Gets Harder

Many of the big international outfits are finding the purchasing problems of wartime a lot tougher than when they could depend for help upon European buying offices. British trade restrictions have rendered useless many of the London branches which formerly gathered up all of the Empire-produced materials. Consequence is that now the head purchasing offices in the United States have to order various goods direct from Cape Town and Auckland and Bombay. Besides being cluttered with this added routine, these American purchasing offices are also forced to take on the buying for their foreign branches and branch factories. They have to ship from the United States many supplies and raw materials which their Australian, Argentine, and African plants formerly obtained at better prices from European sources, often with a preferential tariff to aid them.

## Allies in Race against Time

Confronting a foe that has marshaled every available resource, they still must untangle production snarls and gear their economic machine to the war.

RIMING ACROSS northern Germany from Berlin to Amsterdam two weeks before the Nazi invasion of the Netherlands, one was impressed with the preparedness of the Germans. Through Brandenburg; past the enormous new factory where Hitler's "people's car" was to be built, but where Nazi workmen are now turning out tanks in day-and-night shifts; through Germany's poor oil fields around Hanover; and finally through Münster where Hitler has said that he will draw up the peace treaty—through all this region in every grove of trees mostly camouflaged anti-aircraft guns nosed toward the skies, and helmeted soldiers sat on platforms high in the branches scanning the heavens for an approaching enemy.

In Amsterdam, Dutch officials declared the Germans had 7,000 anti-aircraft guns planted along this one route between Berlin and the border.

In England, a week later on the train ride from the south coast airport to London, not one anti-aircraft gun was visible, though some must have been there, completely camouflaged into the countryside.

Germany, though it has set the pace—and it is a terrific pace—for mechanized warfare, produced annually only about 3,000,000 tons of oil, synthetic and natural, up to the outbreak of war. From

Russia, it is buying another million tons this year (BW—Jun 1 '40, pp 47-48). So, if it acquires Rumania's total output of about 7,000,000 tons (actually the Nazis are buying less than 2,000,000 tons of Rumanian oil this year), the Reich will have only 11,000,000 tons at its disposal. This (for the sake of the layman) is equal to about 20 days' output in the United States. It shows on what an economic shoestring Germany is fighting this bold war.

### Need More Than Raw Materials

Great Britain and France, on the other hand, own enormous oil holdings, have ships to transport the oil, and money to buy from outside sources in an emergency. But they lack the planes and the tanks to fight back Germany's daring mobile attacks. It is possible that the Nazis will win the last battle in this war on their last 100,000 gallons of gasoline and their last hundred rounds of shells, while the Allies, with a flood of raw materials, are unable to speed up their mass production of planes to use the flood of oil in their storage tanks.

This typifies the whole war picture in Europe today. It makes no difference now that Britain formulated a five-year-plan for building up its air force back in

### The Allies' War

THIS FOURTH of a series of BUSINESS WEEK's reports on the real war in Europe—the clash of economic forces that determines the strategy of the military conflict—deals with the Allies' position at the start of a fateful month for France and England. Based largely on the observations and interviews of BUSINESS WEEK's Foreign Editor in those countries this spring, it centers on their lines of industrial organization where the war must be won, or has already been lost. Its significance cannot be missed by an arming America.

1934, long before Hitler had made any important strides at rearming in the air. The fact that counts today is that British airplane plants are turning out only 1,200 planes a month (compared with 2,500 to 3,000 in Germany) and that British defense officials admit that they have been unable to boost production since the beginning of the year, despite the emergency and in spite of the fact that they know German efficiency is steadily increasing.

American managers of branch plants in England who offered to undertake the making of war equipment have put their fingers on the real weakness. It is not due to the lack of skill or intelligence of the British worker (they are invariably praised) but to (1) the refusal of British industrialists to rationalize their output for mass production of a lower-quality, but adequate, plane or tank, and (2) the slowness of both the defense authorities and industrialists to standardize on one or two types in order to speed output.

### "Coordination" for Victory

France made a gesture in this direction two years ago when the war industries were completely nationalized in order to force coordination and efficiency. "Socialistic" as the measure was, and though sponsored by the now discredited Popular Front government, it had the blessing from the first of the French General Staff, which insisted that France's only hope of competing with German arms output was in such centralized control.

Britain, after toying with totalitarian controls since 1937 (BW—Aug 26 '39, p 31), went the whole way only after the five-day subjugation of Holland and the advance of Nazi troops to within a few miles of the Channel ports. But only a miracle can provide the Allies now with time to make up for the advantage Hitler holds by his seven-year head start.

Both Britain and France have faced problems which are typical of all democracies when confronted with totalitarian technique. Where Hitler long ago abolished the German labor unions, fixed



"We shall conquer because we are the strongest"—so say the posters which dot Parisian boulevards. They seek to drive home this point by con-

trasting the size of the British and French empires—both shown in a common color, red—with the small Nazi island in the middle of Europe.



Rudy Arnold

Activity at Staten Island, N. Y., reached a new high last week, as hundreds of longshoremen and a score of barges rushed to load the first shipments of some 300 airplanes,

and other war materials piled up on the docks of the Free Port Zone. These British freighters slipped away over the weekend, bound for an unnamed port in Britain or France.

prices, wages, and profits, went so far as even to conscript labor for special jobs, and rationed food (by deliberately creating shortages of major imports) before the outbreak of war, the democracies have had to move more slowly.

France went through the "socialist experiment" of the Popular Front while Nazi Germany was rearming. The 40-hour week of that régime was abolished only after Daladier took hold and the shock of Munich had made the French realize the real threat to their government. Today the French laborer is working up to 60 hours, is "contributing" 15% of his regular salary to the government's defense funds, and 40% of all overtime pay. Workers who had been mobilized but recalled to industry during the winter when there was little activity on the front continued to receive only a soldier's pay. But France's economic planners complained that fear of popular reaction still prevented their taking men of military age from the front and permanently re-installing them in industry where their supervision might expedite production for export, though France needs the foreign exchange this would provide.

Though London created a Ministry of Supply a year ago with authority to fix

prices, requisition output of factories, and order priority for the production of war supplies, it stopped short of full control over labor. That came only a few weeks ago when England, threatened seriously with invasion for the first time since 1066, went totalitarian.

### Frank Self-Criticism

One labor problem which no amount of control can solve in a hurry is a shortage of skilled workers. *The Economist*, London's solid leader in the business field, sums up the problem frankly:

"The responsible authorities are not yet even properly informed of the dimension of the problem of a labor shortage. Except for the partial and embryonic census that was taken in a handful of industries last month, there is not even any precise knowledge of the number of people employed. The intake of new workers so far has been negligible and, if allowance is made for the time necessary to train them, they will have no influence at all on the rate of output before the autumn at the earliest. As for training in general, the position is ludicrous. According to a recent statement in the German press, the Nazi Labor Front has 16,000 full-time instructors and every

factory has its quota of trainees. In Great Britain, so far from having 16,000 instructors, we have less than half that number of pupils at the Training Centers. Yet a contrast of this kind is apparently not of a nature to shatter the monumental calm of the Minister of Labor.

"Meanwhile, the labor market is becoming chaotic. The government has combined with its protestations against automatic rises in wage-rates a collection of the most varied inducements to employers to offer higher wages. Every employer knows what is happening as a result; men are being tempted away and the labor force is being shifted around without any consideration of the relative urgency or importance or even skill of different jobs. There is an Act on the Statute Book, the Control of Employment Act, which was designed specifically to prevent exactly what is happening every day in every industrial center; it has remained a dead letter."

### German-Type Hardships Hit Allies

In contrast with the drastic rationing familiar to Germans since last September, the Allies only now are running into it. Through a long, hard winter German housewives have become accustomed to spending three to four hours a day at their shopping. Long lines form because of the problem of adjusting one's tastes to the limited variety of foods and the necessity of surrendering the proper number of ration credits. England, until the last few weeks, had no such cantankerous worries except for a mild rationing of sugar, and France readily gave up hard liquor, pastries, and meats—each on a different day in each week. With millions of refugees the picture is changing now—but only now.

Though the United States does not expect to find itself at war in the near future, Americans—now that this country is undertaking a huge defense program—are looking to the experience of the Allies during the last few years in an effort to avoid making the same mistakes.

While this country is in a far better position than either Britain or France to undertake the mass production of war equipment, our actual defenses are little better than theirs were when they accepted Hitler's terms at Munich.

Britain in the spring of 1937 voted a \$7,500,000,000 arms program (the United States is preparing to spend \$5,000,000,000). But only a little over \$1,000,000,000 was actually spent by the British in 1937, and only \$2,000,000,000 in 1938.

The Nazis occupied Austria in the spring of 1938, and Munich came that autumn, but Britain did not introduce conscription until April, 1939.

Though Britain lives far more by its export trade than the United States, the war was five months old before an Export Council was created to assure raw materials for the export industries and methods of maintaining foreign markets with-



# Where, oh Where, is the Little Red Schoolhouse?



## Better Transportation—Better Education

The Little Red Schoolhouse is just a memory in thousands of districts and in its place stands the Community School with every facility for modern education.

Each of these schools—and there are more than 40,000 of them—draws its pupils from large areas. Over 90,000 buses are in service over routes that add up to more than two and one-half million miles a day!

In this important work International School Buses play a vital part. For thousands of schools throughout the nation they have written two indelible words into the records: **SAFETY** and **ECONOMY**.

*Into each International School Bus go the style, steel, and stamina that have built the world-wide reputation of International Trucks.* As a result, these famous buses are outstandingly qualified to transport the school children of the country.

When the discussion of school buses comes up, ask the nearest International Dealer or Branch for a demonstration of the *safety and economy* of the best school transportation you can buy... adapted to every type of body design and every capacity.

**INTERNATIONAL HARVESTER COMPANY**

(INCORPORATED)

180 North Michigan Avenue

Chicago, Illinois

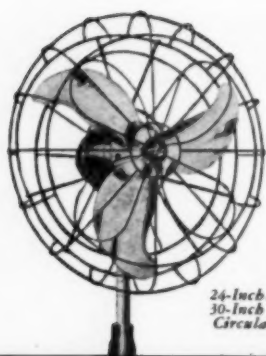
## INTERNATIONAL STATION WAGONS



**Smart!** International Station Wagons combine town-car style with sturdy utility and abundant power. Two wheelbase lengths accommodate either eight or eleven passengers comfortably in the roomy, upholstered seats. Here is smart, yet economical, transportation for schools, private homes, estates, country clubs, airports, and resorts. See the International dealer or branch, or write for catalog.



# INTERNATIONAL SCHOOL BUSES

24-Inch and  
30-Inch Air  
Circulators

## MOST SENSATIONAL FAN VALUES IN EMERSON-ELECTRIC 50-YEAR HISTORY

10, 12 and 16-Inch  
Overlapping-Blade  
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16-Inch  
Parker-Blade  
Fans

### — and Here's the Reason

#### Fans for



#### FACTORIES



#### STORES



#### OFFICES



#### HOMES

Thanks to users of Emerson-Electric products... we're celebrating our 50th Anniversary. And we're expressing our "thanks" with finer fans, with greater fan values, the most sensational fan values in Emerson-Electric's 50-year history!

**Air Circulators**... These giant fans deliver large quantities of cooling, penetrating breezes over large areas. Quiet, trouble-free, low-cost operation. Five models. Four types of mountings. This year, all lower priced.

#### Famous 5-Year Guarantee Fans

**Overlapping-Blade Fans**... Now bigger fan values than ever! More efficient. Quieter. Large breeze capacity. Streamlined for added beauty. Current-saving Capacitor Motors, on 12 and 16-inch fans. All will give years of dependable, low-cost service.

**Parker-Blade Fans**... Thousands of these fans in service 25 years and more are still blowing strong—convincing proof of "built-to-last" quality. These new and improved fans bring you still greater values for 1940.

See your Emerson-Electric Retailer or write for his name and Fan Catalog No. 459.

**EMERSON-ELECTRIC**

MOTORS - FANS - APPLIANCES

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1890 FIFTIETH ANNIVERSARY 1940

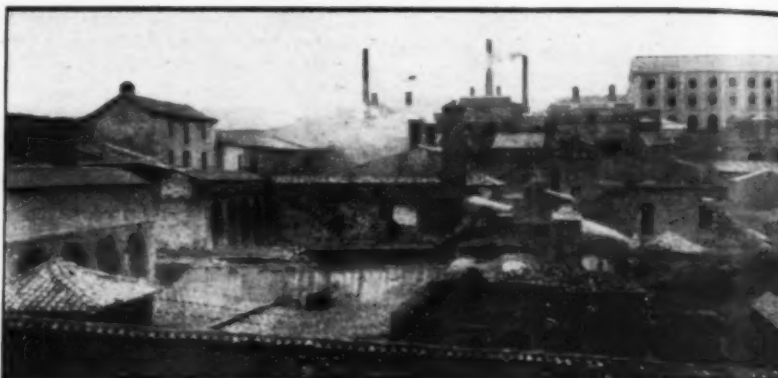
out curtailing the output of war goods at home.

But, above all else, Britain has been stymied by the inability to centralize the authority to make decisions in some capable individual rather than leave them to a group with questioned authority. In the face of the problems just now confronting Washington, the criticism by the able and conscientious editor of *The Economist* of Britain's wartime mistakes is a more becoming commentary than one coming from *BUSINESS WEEK's* own observations:

"What has hitherto hamstrung the nation's effort and turned unity into irritation, patriotism into frustration, has been the impression given that the winning of the war was regarded as private property,

reserved for those who had the right qualifications of rank, opinion, or training. This has been shown not only by the attitude to those members of Parliament who dared to criticize, but also by the treatment of those outside specialists who were taken into the various ministries. The former have been ostracized and excluded from the power to assist; the latter have seen their abilities sterilized. Twenty-four years ago the formation of Mr. Lloyd George's government brought a change that was felt in every office in Whitehall, and the whole tempo and atmosphere of government were accelerated and invigorated. On its ability to perform a similar miracle now, Mr. Churchill's government—and Britain's fate—depend."

### American Mercury Rises



Engineering and Mining Journal

WORLD supplies of quicksilver, vital war material, are dominated by the Italo-Spanish cartel. (Spain's antiquated reduction plant at the rich Almaden mines south of Madrid is shown above). This group has run prices sky high, however, and high-cost producers in this country are in clover as a result. Recently American reduction works in the west, like the New Idria Quicksilver Mining Co. below, have been turning out mercury at a rate of 25,000 to 30,000 flasks a year, ample to meet

normal domestic requirements. Moreover, there are reports of new properties being opened in this country every few days. Result: England and France have been able to buy a little American quicksilver for immediate delivery at \$200 a flask in the last few days, while Italo-Spanish prices have run around \$207 c.i.f. New York. The Allies obviously doubt that it will be possible for them to pick up quicksilver in the Mediterranean the way political events now are shaping up.



## Hotel Hopes Rise

With travel prospects improved, hotel men overlook their troubles for a week of celebration.

AMERICAN HOTEL OPERATORS celebrated National Hotel Week (June 2 to 8) with something almost resembling gusto this year. For many it was the first real celebration in a decade. Chief reasons for the current optimism are the indications that a good winter season will be succeeded by a good summer one and the fact that depression bankruptcies and liquidations are just about ironed out. Hotels are back on their own feet—even if they aren't walking very fast.

Back in the heyday of 1929, something like 75% of all travelers stopped at hotels. Ten years later that figure had dropped to 32%, which means a headache, even when you take into account the big increase in the total number of travelers during the 1930's.

Hotel men have no doubts about where their business has gone. Most of it has trickled off into the auto courts—roadside family-and-car accommodations for auto tourists. Total of these is estimated at 20,000, against 16,000-odd U. S. hotels of 25 rooms or more. Tourist homes and trailers have also cut into profits. A good deal of the hotels' loss can be red-linked under the fact that, with improved automobiles and highways, most travelers cover double the distance they once did in a day—make fewer in-between stops.

### Selling the Salesman

Hotels are bemoaning the fact that, in many cases, they have lost the allegiance of what was once their steadiest customer—the traveling salesman. Right now the American Hotel Association and individual hotels are cooperating with companies that have men driving on the road to discourage the practice of calling for mail at a hotel, staying at an auto court, and pocketing the difference.

Agitation for an industry-wide cooperative advertising campaign to put hotels back in the black has been going on for three or four years, but has failed to materialize because too many small houses complain that they can't foot the desired 30¢ per room assessment to finance it. Regional, state, and city campaigns have met with some success, and the idea seems to be catching on. Hotels in the northwestern states have been plugging away for the past four or five months and indications are that some of the middle-western associations are going to get together. Pennsylvania hotels have been advertising cooperatively for some three years. The American Hotel Association jacked itself up last fall and commenced a pamphlet and press release campaign.

To compete with the auto courts and tourist homes, many hotels have come down from red-plush elegance to the

*This is what they mean by  
"DRUNK WITH POWER"*



THE tempest in a teapot above resulted from a collision between a salesman with an incomplete line of engines and a mariner with anaemic sales resistance. Let's be charitable and say that, also, he had measured his boat wrong. There's an important moral to this story: many businesses—probably some you know—have made the same mistake in buying figuring machines—and for the same reasons. And when you buy a figuring machine that doesn't exactly fit the needs of your business—that's serious.

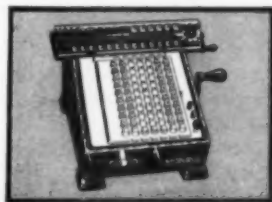
### IT CAN'T HAPPEN WITH MONROE

Monroe has so many models it can fit *any* condition in *any* business. Take adding-calculators: Monroe has *no less than 24 models!* From the small, hand operated Model L to the great Model A-1, "master mind" of all automatic calculating machines.

And—Monroe offers practical advice, based on thousands of case histories, as to exactly *which* machine best fits your business.

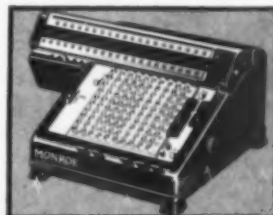
In short, *only Monroe* can give you the machine plus the figuring service that fits like a glove. Phone the nearest Monroe branch, or write us for literature.

There is a Monroe machine for every type of business figuring—adding-calculators, adding-listing, bookkeeping, check writing, and check signing machines.



Lowest priced keyboard adding-calculator on the market (Model L). Multiplies, divides, adds, subtracts. Spot-proof keyboard. Light weight, portable, and hand operated. Ideal for office figuring or use at home.

For easing the load of volume figures, Monroe Calculator A-1 has no equal. Completely automatic, automatic short-cut multiplication—a unique time saver in mechanical figuring.



MONROE CALCULATING MACHINE COMPANY, INC. • ORANGE, NEW JERSEY





*Comfort*  
in the CAPITAL

**AIR CONDITIONED  
Bedrooms**

**AIR CONDITIONED  
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assure weather à la carte  
at  
"Washington's Finest"

Single Rooms from \$4  
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**The Air Conditioned  
MAYFLOWER**  
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R. L. POLLIO, Manager

## Canadian Oats Come Back to Chicago



Chicago Tribune

Lifting buckets of this grain elevator dipped into a Lake steamer last week and struck the first Canadian oats to come into Chicago since 1934. Imported to help cover contracts outstanding at the close of trading on May 22, the 378,000 bu. of No. 2 and No. 3 white oats being unloaded here were shipped from Fort William,

Ont. Up in New England, grain like this has been underselling American oats by 2¢ to 4¢ a bushel. Main reasons for increased imports, say dealers, are depreciation of the Canadian dollar in terms of United States currency, heavy supplies of superior Canadian oats, and less-than-normal supplies of domestic oats.

easier informality traveling America demands. Prices have come down, too. In New York City's hotels—stung once by tourists who stayed away in droves from their high tariffs in the first Fair year—they are estimated as being a good 20% lower this summer.

Prospects for a good summer center on generally increased prosperity and predictions of a record-breaking domestic travel season (*BW*—May 18 '40, p. 20). Winter resort hotels did an estimated 18% better last winter than in the 1938-39 season, and expectations are that this summer, will be at least as good. So far, business isn't bright enough to warrant new building—and hotel men don't think it will be for a long time yet. The Statler chain has announced its intention of putting up a hotel in Chicago. There have been rumors of negotiations for the corner of Michigan and Randolph, with the possibility of a new Illinois Central terminal in conjunction, but the war scare has put the damper on immediate plans.

What is close to a ten-year no-building record was broken this week, however, when civic-minded citizens of Lancaster, Ohio (population, 18,600), who had banded together to give the town a good hotel, launched The Lancaster. Hotel men are taking this for a good omen, look for better things to come.

## How to End Hijacking

Chicago points the way with preferential route system and a set of rules for shippers.

THE CAPONES and the Morans developed the art of hijacking one another's bootleg cargoes during prohibition to an estimated value of \$1,000,000 a year. They found it so easy and so profitable that they branched out into stealing other shippers' high-value merchandise such as cigarettes, tires, and dairy products. Biggest fence of hijacked loot ever jailed in Chicago was a substantial butter-and-egg dealer on West Randolph Market.

Chicago and environs were the national hot spot for hijackings a few years ago, reporting 71 in 1934 and 84 in 1935—average loss, close to \$5,000 per cargo. Insurers boosted rates and even refused to cover the choicer commodities. Then truck operators and city, county, and state police were guided and pushed by the Association of Commerce into coordinated action. In successive years hijackings fell to 29, to 7, to 3, and in 1939 to 1—a \$7,000 load of cigarettes.

Last week, W. E. Riggs of Railway Express, Inc., chairman of the association's cartage theft committee, crowed that Chicago had gone through the entire

# The Case of the arid boiler

**SOLVED  
WITH  
PREVENTIVE  
MAINTENANCE**

THE sales manager of a Middle Western manufacturing plant raised his head and looked toward the shop—a frown on his brow.

Something was wrong. The steady hum of machinery that had been singing along to the tune of big orders was stilled. The sales manager strode out into the plant and located the superintendent gazing at one of the boilers with a rueful expression.

"Production's got to stop for a while," he explained. "I've had to kill that boiler before it could explode—a valve in the feed water line jammed. Can't expect a boiler to run without water."

When the Crane salesman arrived in answer to a "hurry up" call from the superintendent, he found them busily engaged in removing the guilty valve.

"Here's a perfect case for Preventive Maintenance," he said to the superintendent. "The gate valve was

not suited to this service. The stem broke under vibration and the disc jammed. A Crane plug type disc globe valve will prevent a recurrence of this condition. With such a valve in the line, even if vibration should cause failure of the stem, the pressure under the disc will keep the valve open, preventing any danger of a boiler explosion."

Not every plant has the benefits of Preventive Maintenance brought home to it as dramatically as this. But in almost every plant there are many cases where correct application of valves will reduce maintenance costs, guard against shutdowns, prevent power loss, stop needless waste.

In your plant, your superintendent or the man responsible for piping can apply Preventive Maintenance, saving you money—increasing efficiency.

Why not call the Crane man and let him assist your superintendent in solving your problems in flow control?



No. 382P Brass Plug Type Disc Globe Valve



# CRANE

CRANE CO., GENERAL OFFICES:  
836 S. MICHIGAN AVE., CHICAGO  
VALVES • FITTINGS • PIPE  
PLUMBING • HEATING • PUMPS

NATION-WIDE SERVICE THROUGH BRANCHES AND WHOLESALEERS IN ALL MARKETS

winter without a hijacking. And Philadelphia truckers, harried by an acute epidemic of cargo piracy, sent for details of the Chicago plan and hired 20 private detectives to clean up their mess.

Here's the Chicago method:

A pair of framed maps hangs in every truck-line dispatcher's room and in every police station of the region. The maps show preferential Illinois and Chicago caravan routes which truckers instruct their drivers to use exclusively, and which police squad cars patrol continuously. Consequence is that if a seizure or a sneak job is started by a gang of ambitious smarties, they stand a fine chance of being nabbed red-handed.

Preferential routes are chosen not only

for haulers' convenience but also for minimum exposure hazards. Some tough parts of town produce excessive losses, especially from pilferage, hence are avoided. Example: Trucks from south and east detour two or three miles west of Bronzeville, save the extra mileage cost in lower losses. Until police authorities set up special details with fast cars, little headway was made against hijackers. When state, county, and city cops began working together, they soon learned who was doing the seizing and who was disposing of the stolen goods. After a few gangs and fences went to prison, the rest quit or moved away. Since then, the cartage theft details spend most of their time on preventive patrolling of the caravan

## "IT'S THE Stupidity"



**Somebody's Office**—"Expecting us to do good work in a bake-oven? Never heard anything so dumb. It's not the heat—it's the stupidity!"



**Your Office** (we hope!)—"Just feel that breeze! Everybody's pepped up and doing twice the work since we got some good big R & M fans!"



**Somebody's Home**—"It's this breezeless heat that gets me down. Just doesn't make sense—not having electric fans. It's not the heat—it's the stupidity!"



**Your Home** (we hope!)—"R & M fans at the office taught me the wisdom of buying good fans for the house. Here's my pet—R & M De Luxe, on a pedestal!"

Go on electric fans—that's the answer to the only heat that bothers most people . . . breezeless heat. Large offices, stores, restaurants, and workshops need R & M Air Circulators or exhaust fans handling thousands of cubic feet of air a minute. Private offices need handsome, quiet R & M De Luxe fans—and your home the same . . . or, better still, a big attic fan or a portable, in-the-window home cooler. Choose these good fans—for decades of good summers to come. See your dealer. For circulars on exhaust fans, attic fans, or home coolers, write Robbins & Myers, Inc., Springfield, Ohio—also makers of Electric Motors, Hoists, Cranes, and Moyno Pumps.

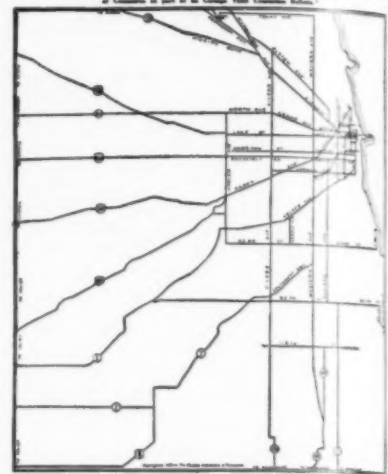


R & M De Luxe 10-inch Oscillating Fan, \$14.95; Pedestal Type, \$21.45. Other Types, \$3.65 up.

**ROBBINS & MYERS** Fans  
ALL TYPES · ALL SIZES

### Preferential Chicago Trucking Routes

Instruct your drivers to use these routes. They are specially patrolled by the police department.



This is the map that shows the safe routes for trucks in Chicago. Along its western edge is one significant omission—Mannheim Road, which came to fame when the Capone mob pioneered the hijacking of beer trucks—and the dumping of bodies—along this route west of Cicero.

routes. At the height of the campaign three years ago, Chicago police had 18 men and six cars on this detail.

Some of the recommendations of police and association specialists:

Use rear-gate locks that cannot be broken, and gates that fasten in the middle so they cannot be pried up to admit a thief.

Keep drivers on loaded trucks at all times, including meal hours.

Never leave motor running or ignition keys in truck.

Supply drivers with identification cards including clear photographs, and instruct shippers to demand these.

Convoy a valuable shipment with a fast passenger car one or two blocks behind.

Put distinctive marks on all packages in a truckload, so that any of these can be identified if stolen and recovered.

### Train-Taxi Service

Sixteen railroads offering a special, low-rate cab tie-up for arrivals in 25 important cities.

ON THE HEELS of the Train-Auto and Travel Credit plans recently adopted by the railroads to lure more travelers into their equipment (BW—Apr 27 '40, p. 20; May 11 '40, p. 22) the Central Passenger and Trunk Line Associations announce for June 1 a new wrinkle in extra-curricular service. A passenger or passengers up to a full taxicab load arriving by any one of 16 railroads in any one of 25 cities in eastern territory may charter a cab with driver for six hours (in Chicago or Pittsburgh for four hours) of driving



in metropolitan areas, not in the country, at a flat \$5. He or they can pick up the taxi at the station or any other place, use it between 9 a.m. and 3 p.m., which are dull hours for hackers. The plan gets the cabs loose from these cut-rate customers in time to take care of the after-shopping and after-work peak loads at full meter prices.

Idea of the service came from the cab operators' Cab Research Bureau, Inc., of Cleveland. Executive Secretary Clewell Sykes presented it last fall at a railroad association meeting in New York. Considering the number of business units concerned, the deal went through in jig-time.

### Promoting Business Travel

Sole requirement for obtaining the special-rate service from any participating cab company's starter or driver is that the passenger present an identification card. Any participating railroad issues the card free on request with a ticket costing \$1 or more. The card carries the names, addresses, and telephone numbers of all participating cab lines. The railroads get no revenue from the plan except as it may stimulate business travel, and they assume no responsibility for the service.

Sixteen railroads are in the deal: Baltimore & Ohio, Central of New Jersey, Chesapeake & Ohio, Delaware & Hudson, Lackawanna, Erie, Grand Trunk, Lehigh, Louisville & Nashville, New York Central, Nickel Plate, Norfolk & Western, Pennsylvania, Pere Marquette, Reading, and Wabash.

The cities in which the service is available are Akron, Albany, Baltimore, Boston, Buffalo, Camden, Canton, Chicago, Cincinnati, Cleveland, Columbus, Dayton, Erie, Indianapolis, Louisville, Philadelphia, Pittsburgh, Reading, Rochester, Schenectady, Syracuse, Toledo, Trenton, Utica, and Youngstown.

## Tonnage Regained

Two Illinois Central rate experiments cut into barge and truck business; ICC stalls third.

OF THE THREE major experiments in freight-rate making announced by the Illinois Central System during the past six months, two show signs of hitting the jackpot and one thus far has laid an egg.

First came the trainload rate on blackstrap molasses from Gulf points to Illinois distilleries (BW—Dec 23 '39, p. 22). This was intended to bring back to the rails a bulk tonnage which was moving almost entirely by barge. The railroad's exhibit filed with the Interstate Commerce Commission when applying for the rate indicated an original expectation of 1,300 car loads a year. Already enough blackstrap has moved by I.C. to reach at least double the original estimate, if

# Save ON HAULING COSTS THE WAY OTHERS DO!



● ● TRUCK USERS in more than one hundred lines of business have proved for themselves—and for you—that the Fruehauf Truck-Trailer method of hauling brings economy in more ways than one.

## Save 30% ON INVESTMENT

Buy a small truck and a Fruehauf Trailer instead of a large, more costly truck. A truck, like a horse can pull far more than it can carry. Hence, the small truck will pull as big a load as the large truck will carry—and the Truck-Trailer unit costs at least 30% less.

## Save 30% ON GAS...

The small truck will cost you less to operate than the big truck—30% less according to many users who keep cost records.

## Save 35% ON UPKEEP...

Your upkeep costs will be less for the small truck. Savings here should be a minimum of 35%.

## Save ON DEPRECIATION

Your depreciation is sure to be less, since the small truck costs far less—not only to buy but to replace.

## Save IN OTHER WAYS...

Perhaps, like many other truck users, you'll find a "shuttle" operation another source of savings. You'll leave two or more Trailers to be loaded or unloaded, while the truck is constantly at work pulling first one and then another of the Trailers ready to be moved.

You'll save from start to finish with the Fruehauf Truck-Trailer method of hauling. All the facts are in the booklet "Executive Thinking," which is yours upon request.

Oldest and Largest Manufacturers of Truck-Trailers  
**FRUEHAUF TRAILER COMPANY • DETROIT**  
Sales and Service in Principal Cities



✦ Eighty-nine million pounds of butter and nearly two and one-half million cases of eggs were brought into Chicago in one year by motor truck. 95 percent of all milk is brought to cities by truck. This is typical of the part trucks play in serving America.

# FRUEHAUF TRAILERS

"Engineered Transportation"

MORE FRUEHAUF TRAILERS ON THE ROAD THAN ANY OTHER MAKE



You can hire more tireless brawn than you've ever had in your plant for less than 25c an hour. This powerful versatile helper picks things up and goes places with them . . . right now! In your incoming materials or shipping room, warehouse, machine shop . . . any place in almost any kind of business, he's on the job, 24 hours a day, every day. He carries up to a ton faster than a man can walk and lifts up to a 14 ft. ceiling. He'll speed up operations in every part of your plant and save money by doing the heavy jobs single-handed.

Write for complete details about MOBILE-LIFT. Prices begin around \$1000 at factory. Vaughan Motor Co., 841 S. E. Main, Portland, Oregon.



**MOBILIFT**

business continues at the same flow throughout 1940.

Next came the road's announcement that carloads could be shipped to three southern points at mixed merchandise carload rates, and from there move in l.c.l. to more distant points at fourth-class l.c.l. rates, providing there is not more than a 48-hour interruption at the break-bulk point (*BW—Mar 9 '40, p. 20*). This rate was intended to regain l.c.l. traffic that had been moving from break-bulk points by motor truck. No objection was expected from the truckers because they had won exactly the same sort of rate a year earlier, over railroad objections. But at the last minute, objections were filed by some truck lines and by some shippers who wanted "continuous movement" under this rate defined as involving an interruption of as much as six months. So the I.C.C. suspended the rate, and will hold hearings June 10 at Atlanta.

### Drive for Old Business

The third rate innovation came in April (*BW—Apr 13 '40, p. 45*) when all of the railroads between Chicago and St. Louis joined the I.C. in revising downward by 20%-30% their rates on l.c.l. shipments which are distinctly truckload quantities; 5,000 lb., 10,000 lb., and 15,000 lb. These new rates were initiated on 75 commodities selected from a survey which showed that they offered traffic possibilities of redeeming business lost to highway haulers. Since April 3, the effective date, several more commodities have been added to the list.

I.C. traffic officers point out the period

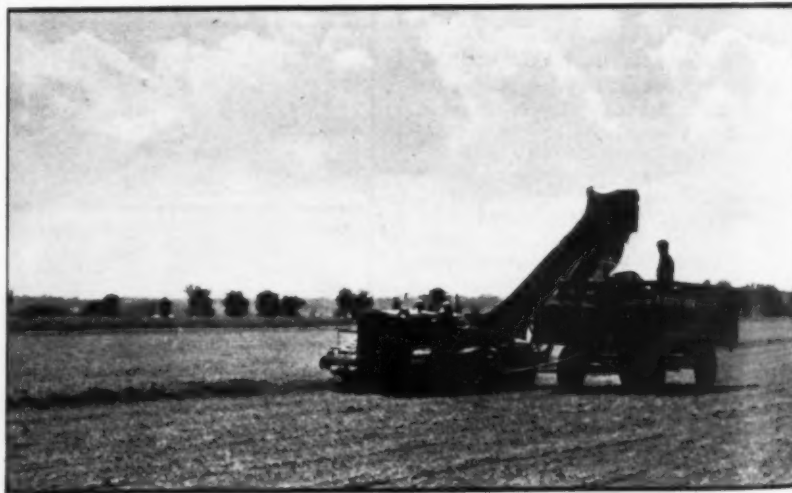
has been too short to produce really sizable results, because of existing contracts between shippers and truckers, and because of the need to adjust freight-house practices to shipping-room habits developed for dealing with trucks. But the railroad has already regained some worthwhile volume in iron and steel articles, electrical supplies, drugs, and confectionery. The I.C.'s daily movement of l.c.l. freight between the two points in April was up by more than 1,000 tons, which the traffic men say looks more imposing than the tonnage warrants, because they were previously handling so very little

### Grass, But Not Hay

Vitamin-conscious makers of food products see big opportunity in cereal dehydration process.

BUTCHERS, BAKERS, and growers and processors of nearly every description of foodstuff have been finding green pastures under the spreading vitamin tree (*BW—Apr 6 '40, p. 40*). And, as everybody must know by now, the green pastures are no longer figurative, since grass itself has shot up to the dignity of a health food.

Ceroglass and Cerophyl—the trade names for dehydrated cereal grasses—have received such reams of unsolicited publicity that, novelty or no novelty, business is taking notice. The latest development is a yellow product which as yet goes unnamed. Food manufacturers, dieticians, and members of the medical profession who have been watching their



Although grain harvest starts in June, this specially-designed harvesting machine has been cutting rye and wheat grasses near Lawrence, Kan., since March. As soon as the "barge" (being towed) is loaded, a high-speed tractor hitches on and rushes the perishable load to a nearby dehydration plant, where it

is converted into "concentrated spring range"—to be eaten by man and beast. American Dairies, Kansas City, Mo., operates a second dehydration plant near Brownsville, Texas. The two furnish a year-round supply of cereal grasses for the blending and packing plant located in Kansas City.

• To  
finest  
South  
smok  
Natu  
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COPY, 1940

The Gulf South



Invites Industry



## ... to an Abundant Natural Gas Supply to Feed the Fires of Industry

• Today's industry demands the finest in modern fuel—and the Gulf South meets this demand with smokeless, ashless, fast, efficient Natural Gas. Drawing on hundreds of sources, this Company's pipe lines offer Gulf South industry an abundant supply of this economical industrial fuel, night and day, year in, year out—dependably delivered to the burner!

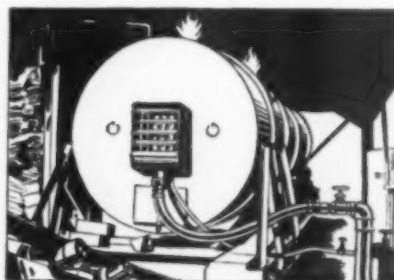
And Gulf South Natural Gas is a dependable business in its own

right—ably managed, and amply financed. For instance, this Company and associated Natural Gas production and transmission Companies represent a total Gulf South investment of millions of dollars.

In addition to Natural Gas, Gulf South industrial advantages include swiftly growing markets—rail, water, motor and air transportation—native, white, reliable, intelligent labor—good schools—plentiful land—delightful climate.

Industry is decentralizing southward to a friendlier atmosphere. Move to the Gulf South where you are wanted and appreciated by your neighbors.

Without obligation, let us make a confidential survey for you to meet the requirements of your industry.



This picture shows the simplicity of Natural Gas application to low temperature Fuller's earth and other clay drying kilns in the Gulf South.

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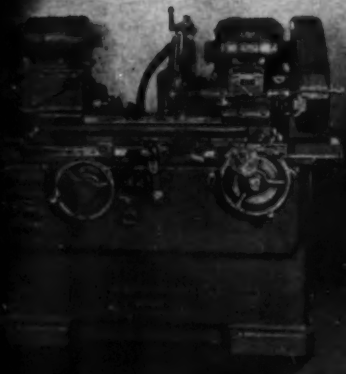
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development for three years believe that these low-cost, high-vitamin products possess an economic future far beyond anything that has been indicated by newspaper feature stories.

For several years, American Dairies Inc., of Kansas City, Mo., has been selling to commercial feed manufacturers a mixture of condensed buttermilk and powdered, dehydrated cereal grasses under the trade name of Greenmilk. Mixed with the usual mill feeds, Greenmilk furnishes all the important vitamins except D.

Moreover it provides the grass-juice factor which the feed-makers variously advertise as "concentrated green grass" or "year-round spring range." About 400 manufacturers who are now blending Greenmilk in poultry feeds claim greater egg-laying powers for hens.

### Fortified Products Tested

Now well-established in the stock feed industry, American Dairies officials are casting a longing eye at the food industry. At present, experimental work is being carried on in cooperation with several food manufacturers who are not averse to pepping up their own products with additional vitamins at a price. Ice cream, candy, and macaroni fortified with malt-flavored, bleached-grass powder are being tested. The powder can be given any flavor that may be desired, according to its sponsors. White bread and breakfast cereals appear to offer great possibilities.

In a limited territory, Cerophyl has already appeared on druggists' shelves. It is a specially prepared powdered grass, packed in cans sealed with nitrogen to preserve vitamin strength. Cerophyl is for use in special and therapeutic diets, particularly for individuals who are not permitted to eat leafy green vegetables. Also, the vitamin K which it contains is known to be of great benefit in the prevention of hemorrhage in surgery.

### Vitamins Carefully Guarded

When grown in certain soils, and harvested just before their seed-bearing stems begin to form, such cereal grasses as wheat, barley, rye, and oats contain vitamins A, B, B1, B complex, B6, C, G, and the grass-juice factor. To retain these vitamins, the grasses are harvested and manufactured under methods protected by a number of patents. After processing, the grasses are powdered, sacked, and placed in cold storage, another precaution against vitamin loss. Fields and dehydration plants are strategically located from Canada to the Mexican border to insure supplies for the blending plant at Kansas City at any season of the year. Special preparation of the soils insures high vitamin potency of the finished product.

To back up the argument that cereal grasses have a place in human diet, especially in foods for low-income groups,

the cost of production is such that the price to the food manufacturer should be at a low enough level to create real interest in fortification of his products.

## Guiding Home-Builder

**Bureau in St. Paul offering architectural supervision wins way with owners and lenders.**

ARCHITECTURAL SUPERVISION before, during, and after construction has been brought within the budget of the small-home owner in the Twin Cities through operations of the year-old Central Bureau in St. Paul, established under the Federal Home Building Service Plan. Obvious advantage to the owner lies in having an independent watch-dog look out for his interests.

Lending institutions (mainly savings and loan associations) are coming to rely on the Bureau's say-so in granting construction loans, gaining for themselves an improved quality of collateral and saving time and expense in checking up.

The plan has also created a nice volume of profitable business for the supervising architects. It works like this:

When a prospective builder applies for a construction loan, the lender "sells" him the idea of using Bureau services, stressing protection, economy, and increased property value. If he agrees, the lender submits plan and specifications to the Bureau. Within 48 hours, the Bureau reports on acceptability of site, appropriateness and soundness of plans, and suitability and completeness of specified materials. The Bureau also renders an independent appraisal of the probable and proper cost.

### Keeps Owner Informed

The Bureau supplies the owner with five postcard forms requesting inspections, to be returned at intervals as construction reaches specified stages. In addition, the Bureau makes unheralded inspections. Duplicate reports of inspections are made within 48 hours to lender, owner, and contractor—or immediately, by telephone, if emergency demands.

Even though plans and specifications do not come up to "registration" standards, the lender may still wish to finance and avail himself of Bureau supervision. Since its establishment in March, 1939, nearly 400 homes have been built under the Bureau's auspices, 127 of which are either registered or eligible for registration.

The Bureau is a private organization, run by a group of architects, and is financed entirely from the fees paid by owners. Fees are on a sliding scale proportioned to construction costs, but the average runs about \$5 for examination of plans and \$5 for each inspection. The plan service has been slower in gaining acceptance than the inspection service.

Another new Architectural Concrete Sears, Roebuck & Company store—at Houston, Texas, designed by Nimmons, Carr & Wright, Chicago. Kretson Construction Co., contractors.



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*Architectural Concrete*

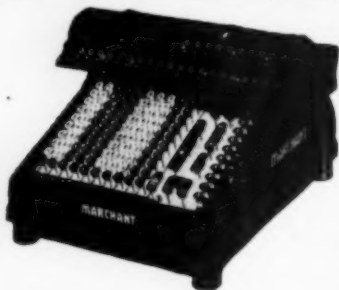
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## LABOR & MANAGEMENT

INDUSTRIAL RELATIONS · PERSONNEL · EXECUTIVE POLICY

### Defense Needs Push Labor Unity

**C.I.O. and A.F.L., reputedly acting at President's insistence, weigh peace possibilities. Strong federal policy seen in handling of labor disputes.**

HOW WILL ORGANIZED LABOR fit into the national defense program?

This week, as the tempo of industrial planning was accelerated by the growing popular determination to arm and arm fast, everyone recognized the urgency of the question, but nobody knew the answer. Two events that transpired in Washington this week suggested that it might not be long until the answer—or, at least, an important part of it—would be found.

Number one was the meeting of the C.I.O.'s executive council. On the surface, it was the orthodox labor conclave, concerning itself for the first few days with the adoption of the usual stereotyped resolutions. But under the surface it seethed with some very unorthodox fermentation.

Number two was the call which William Green paid at the White House. Ostensibly, the visit of the A.F.L. president was little more than a formality. Green was calling in order to find some balm in Gilead, some soothing for feelings which had been injured when the President appointed Sidney Hillman, C.I.O. renegade, to the key labor job on the Advisory Defense Commission. According to reports, however, the meeting was less like a gracious audience and more like a command performance, for Green wasn't being asked; he was being told—told to heal the breach between A.F.L. and C.I.O.—or else.

#### Yielding to Pressure

Presumably, this constituted a reasonable facsimile of the words that Roosevelt had dropped into Hillman's ear a week earlier for transmission to John L. Lewis and the C.I.O. chiefs. And when rumors of what happened to Green got around to the C.I.O. meeting, it became clear that the President meant business. Informal talk about unity began to elbow formal consideration of C.I.O.'s defense policy almost out of the conference room.

Meanwhile, spot developments on the labor front throughout the whole country suggested that matters of policy were moving rapidly out of the realm of the abstract into the field of the immediate and practical. Biggest of these develop-

ments—because it affected the most men—was the apparent impasse reached in the negotiations for a renewal of the contract between General Motors Corp. and the C.I.O. United Automobile Workers. Despite headline publicity given the differences between G.M. and the union, observers close to the scene were inclined to minimize their real importance.

Conferences, which had been proceeding evenly, took a somewhat novel turn last week when the company, intent on converting its talks into realistic two-party bargaining conferences, presented union negotiators with a complete proposed agreement. This was a break with precedent, for in earlier negotiations union spokesmen had always presented the proposed agreement, and the conferees then considered each clause serially. It seems clear that the union, unwilling to let the company take the initiative in the present situation, felt it would be strategic to reject the G.M. proposal in toto and bid for public support by asking government mediation.

#### No Insuperable Difficulty

Real points at issue are wages and procedure for grievance settlement. G.M. proposals did not meet the union demand for a wage increase but did offer vacation with pay equal to 2½% of each worker's annual earnings. The union insists on higher hourly rates as well as paid vacations. As for the company's grievance-handling offer, the union has rejected it with the charge that "it is neither practical nor equitable."

Neither of these differences is considered insuperable, and the union's vote of power to its president to call a strike if necessary may be taken as a gesture. With the effectiveness of a vital war industry at stake and with the U. S. Department of Labor's Conciliation Service exerting its full effort, prospects for a signed agreement before U.A.W.'s mid-July convention are good.

The temper of the times, which is expected to expedite G.M.-U.A.W. negotiations, was clearly evident in the quick finish that was written to the strike at Federal Shipbuilding & Dry Dock Co., a U. S. Steel subsidiary at Kearney, N. J.

The four of Feder overwhelmed calling for pay. Des had already by their walked of Bigw Union of Workers. their org with the out that the charg fense prop naval ve stayed ou "the town by vot their jobs

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#### Fits

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The four-day strike began when 5,000 of Federal's 6,700 production workers overwhelmingly repudiated an agreement calling for 2½¢ to 4½¢ increases in hourly pay. Despite the fact that the agreement had already been signed on their behalf by their elected officials, the workers walked off the job.

Bigwigs in their union, the Industrial Union of Maritime and Shipbuilding Workers, and in the C.I.O. with which their organization is affiliated, pleaded with the men to remain at work, pointing out that the union would have to answer the charge of impeding the national defense program, for the yard is at work on naval vessels. For four days the men stayed out, complaining meanwhile that "the town was lousy with F.B.I.'s." Then, by a vote of 5 to 1, they returned to their jobs on the understanding that the

pay rates and other items which they found objectionable in the new contract would be a subject for further bargaining between company and union.

### Technicians Grasp Chance

The Navy Yards were the source of still another significant labor development during the week. Finding themselves catapulted into a strategic position by the urgency of the preparedness program, representatives of 2,000 professional men employed in designing and preparing plans for warships met in New York to work out demands and launch an organizing campaign to unionize all government technical employees. The occasion for the meeting was the 5th national convention of the Federation of Architects, Engineers, Chemists and Technicians, one of the C.I.O.'s few craft

unions. The union has affiliated chapters in the Washington, Brooklyn, Philadelphia, Seattle, Norfolk, and Pearl Harbor Navy yards and members in the drafting, designing, and estimating departments of Wright, North American, Vultee, Lockheed, Bendix, and Glenn Martin aircraft factories.

F.A.E.C.T. demands that the government (1) recognize the union as the collective bargaining agency for all the skilled personnel in the Navy yards; (2) pay time-and-a-half for all hours over 40 a week; (3) give civilian technicians (union members) more say about the design of battleships; (4) set up an appeals board to handle all grievances with equal representation from the Navy Department and the union; (5) adjust salaries upward; and (6) guarantee that there will be no speedup.

## Insurgent Becomes Labor's Man of the Hour

AS SIDNEY HILLMAN, president of C.I.O.'s Amalgamated Clothing Workers' Union, takes up residence in Washington to give full time to the job of coordinating employment policies as a member of the new Defense Advisory Commission, the energy with which the New Deal will hold to its labor reforms becomes subject for less speculation. For Hillman is unequivocally committed to maintaining, and if possible extending, the Roosevelt labor program delineated in the Wagner Act, the Walsh-Healey Law, the Fair Labor Standards Act, and the Social Security administration.

At A.C.W.'s biennial convention winding up in New York, just two weeks ago, the delegates, under Hillman's direct inspiration, instructed their officials to fight for all of these things, and staged a two-hour demonstration for a Roosevelt third term.

### Fits F.D.R.'s Ideal

Hillman's appointment—made because he typifies the President's ideal labor statesman—is wormwood to old-line labor leaders. Never a regular in the labor movement, Hillman rose to prominence by leading an insurgent group of tailors out of the A.F.L.'s ancient and moribund United Garment Workers' Union in 1914. In so doing, he committed the A.F.L.'s cardinal sin by establishing a dual union outside the federation. He had already won his spurs in 1910, when as a young immigrant he led the Hart, Schaffner & Marx strike in Chicago. His leadership in the new union was, and still is, unquestioned.

For 20 years, as A.C.W.'s president, Hillman outfought and outgeneraled the competing A.F.L. organization. In 1933, after he had established his

union's jurisdiction by the simple process of putting most of the country's men's clothing firms under closed shop contract with his union, the A.F.L. took his organization in and made peace with him. The peace lasted until 1936, when A.C.W. was suspended along with nine other unions for joining with John Lewis' miners in setting up the insurgent C.I.O.

Hillman is now considered the key



Sidney Hillman

moderate in the C.I.O., champion of unity with the A.F.L., enemy of the Communist wing, and challenger of the Lewis propensity for going too fast and too far. Whether he relishes the rôle or not, he leads the opposition to Lewis inside the Congress of Industrial Organizations. Thus he is still not regular.

In the last war, the post comparable to the one Hillman fills on the Defense

Advisory Commission was held by Samuel Gompers, first and venerated president of the American Federation of Labor. There is a strong resemblance between the two men. Both were immigrant Jews, early believers in a workers' cooperative commonwealth, and both abandoned their socialist-ideas as they came to the top in the American labor movement and found socialism ill-suited to the American environment. Both were craftsmen in early sweatshop industries: Gompers a cigar maker, Hillman a garment cutter.

### Regulars Show Enmity

Today, some of the same A.F.L. officials who defended Gompers against the charge that, as a cigar maker, he knew nothing about munitions production, are accusing Hillman of the same inadequacy. Their inconsistency is explained by the fact that Hillman has never been a regular, while Gompers was never anything else.

In 1916, when Gompers accepted a place on the Council of National Defense, the trade union movement entered a phase of rapid growth. A.F.L. membership rose from less than 2,000,000 in 1915 to over 4,000,000 in 1920, and the period saw effective union penetration of some hitherto unorganized vital war industries. Today, except for machine tools, and to a lesser degree aircraft manufacture, the basic industries are substantially unionized.

Embarrassment to the defense effort in American industry may be expected to come—if it does come—not primarily from organizing campaigns in open-shop industries, but from A.F.L.-C.I.O. tugs of war in areas where they are competing for representation.

# Management

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That, on the testimony of the sellers of those goods; the manufacturers and advertising agencies who place more pages of advertising in Business Week than in all other general business magazines together!

## BUSINESS WEEK

*Active Management's Magazine*



# *It gets Action!*





## A.F. Launches Anti-Red Crusade

**Silk-glove policy ended, powerful coast farm group embarks on an all-out war against unions, which is expected to "bring hell popping in California" soon.**

THE DIRECT ACTIONISTS have regained complete control of the Associated Farmers, powerful California farm group. This week, the organization again seemed headed toward unity and the aggressive "iron fist" labor policies which have

proved so effective in blocking attempts at unionization of field workers.

The factional wrangle, culminating in resignation of Secretary Harold E. Pomeroy, which threatened for a time to split A.F. (BW—May 18 '40, p. 32) apparently

is fading out. Aided by the hue and cry against "subversive elements" and by some serious labor situations in California that call for action, the iron-fist advocates are gaining rank-and-file support in the county units. The group which backed Pomeroy in his policy of building peaceful relationships with unions and soft-pedaling anti-red activities has been swept aside.

A.F. directors met in Los Angeles last week and mapped an ambitious and aggressive program. Principal feature is an anti-red campaign which, according to an A.F. director, "will bring hell popping in California before midsummer." This activity, if successful, will weed from union farm organizers the persons the A.F. regards as communist agitators.

Anti-red strategy has been assigned to a committee consisting of John Watson, A.F. president; Col. Walter E. Garrison, ex-president and a leader of the iron fist group; Phil Bancroft, national spokesman for A.F.; and Don Steving, a West Pointer and former member of the U. S. Army Air Corps.

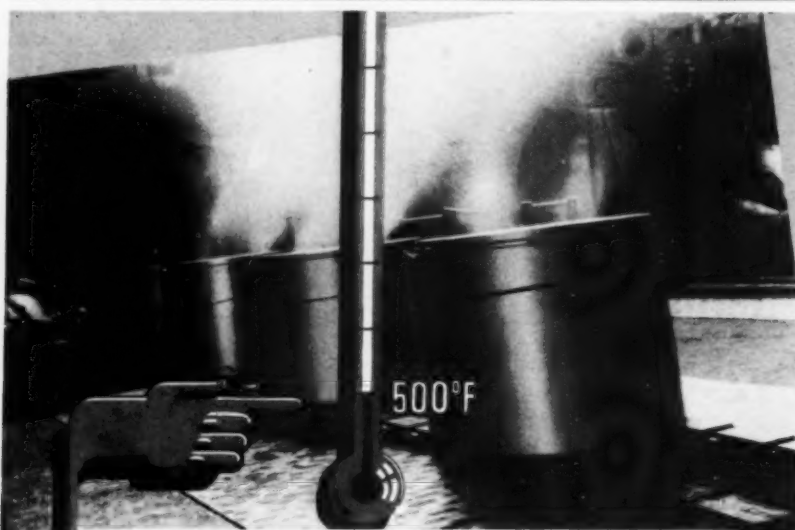
### Targets of A.F.'s Volleys

First gun in the campaign was fired this week when the A.F. let loose a publicity blast attacking Gov. Culbert L. Olson for appointing Movie-Star Melvyn Douglas as lieutenant colonel in charge of intelligence service of the California National Guard. Next target will be Carey McWilliams, state director of immigration and housing, persistent national critic of California agriculture who was dubbed "California's agricultural pest No. 1" following publication of his book "Factories in the Field" last summer.

One goal is enactment of a state law banning secondary boycotts. A.F. is now setting up machinery for an initiative vote on such a proposal and, meanwhile, will whip up public sentiment. The farmers have succeeded so far in preventing unionization of field workers, but have been losing ground in their fight to prevent unions from getting control of farm products at handling plants. A.F. doesn't dread unionization of plant workers, however, as much as it does negotiation of union contracts by the produce plants permitting use of secondary boycotts to force unionization on the farms.

### Battle Looms in Los Angeles

The A.F. faces several immediate battles on the farm front. Most important is the blocking of Teamsters' Union efforts to organize dairy workers around Los Angeles. The Associated Dairymen of Southern California, encompassing the entire Los Angeles milk shed (one of the largest areas without price control), has been formed to wage a running fight with Teamster Dave Beck's cohorts. This A.F. campaign will get strong support from the new open-shop organization in Los Angeles, the Merchants & Manufacturers



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While Past President Holmes Bishop (left) lent his moral support, John Watson, new president of the Associated Farmers, last week launched the drive of the rejuvenated A.F. to outlaw secondary boycotts in California. This issue has replaced anti-picketing laws as the farmers' bulwark of defense against union attempts to organize field workers.

Association of Southern California (BW—June 40, p.38).

A.F. faces a tough scrap in the important citrus industry and the situation is likely to produce plenty of labor headlines in newspapers during the next few months. Key factor is the recent U. S. Supreme Court decision in the "North Whittier Heights case," placing citrus packing house workers under the NLRB. This puts the unions in a position to demand contracts providing that they needn't handle oranges and lemons picked by non-union field workers.

Another serious fire broke out for the A.F. last week when the state Industrial Welfare Commission dug up a 1923 ruling fixing minimum wage rates for field workers at a point considerably above the present scale and applied it immediately to the cherry growers who are now picking their crop. Claiming that the increase would wipe out 80% of cherry growers' returns and fearing spread of the ruling to other crops, the A.F. has demanded a new hearing before the commission.

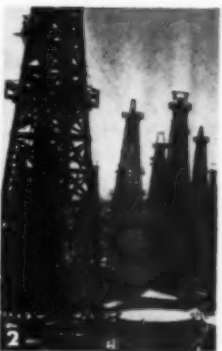
## Wanted: Apprentices

Plan taken from building trades may solve problem for auto parts and tool shops.

SPURRED by national defense demands for trained workmen, unions are finding a new apprentice training program a



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Harter Posture Chairs are also outstanding. There is indeed a Harter Steel Posture Chair for every type of seated work. Write for catalogs: The Harter Corporation, Sturgis, Michigan.

# HARTER

partial answer to the knotty problem posed by the heretofore apparently irreconcilable objectives of (a) maintaining job control, and (b) opening the skilled trades to green hands.

### Committee System Tried Out

Taking a leaf from the thoroughly unionized building trades, the parts plants and the tool and die shops of the automobile industry in the Detroit area are putting into effect what is known as the indentured apprenticeship plan. This plan calls for the indenture of an apprentice, not to a shop or manager, but to a joint committee made up of members from the employers' association and from the union. The joint committee oversees the learners' training and lays down his curriculum. It may shift the boy from one shop to another and regulate his activity in line with what it believes to be the apprentice's best interest.

Success of the committee system depends on the strength of the committee's personnel and the ability of union and management members to solve problems.

Stumbling block to an effective apprentice training program in the auto industry and its branches has been instability of employment. Replacing annual loss through death or quitting has been difficult to systematize. An ideal ratio of apprentices to journeymen is cited as one to five, yet the practical ratio may be lower. This is contrasted with the ratios now permitted by the Automobile Workers Union which, in its agreement with the Tool and Die Manufacturers Association allows one apprentice to every 20 journeymen. Unions' seniority-consciousness, aiming at holding all available jobs for their members, has made them unalterably opposed to 99 out of 100 apprenticeship schemes that have been brought forward.

### Have to Be Well-Paid

One vital factor in apprenticeship is the present cost. Apprentices no longer work for nothing just to learn a trade. The child labor laws have seen to that. Boys who are selected for apprentice training are between 18 and 20 years old, and have a high-school or vocational-school education. Employers recognize that these boys must be well paid if they are not to leave the course in favor of a production job paying \$1 an hour. Furthermore, the third- or fourth-year apprentice will be a man and probably anxious to get married. Result, he chucks a low-paid apprenticeship to get a production job.

In recognition of these natural tendencies, one large corporation has developed a plan that starts the boy at 40¢ an hour and finally gets him up to 75¢ an hour at the end of a four-year machinist-apprentice course. Wages paid to the apprentice total over \$4,300 in four

years. To this sum must be added instruction and use of high-grade equipment. What the apprentice actually earns for the employer during the four years is highly problematical and will vary from shop to shop. One well-known personnel director says that training an apprentice costs nothing, but it is doubtful whether he was speaking for conditions prevailing at the present time in Detroit.

The present wage contract between the Tool and Die Mfrs. Association and the U.A.W.-C.I.O. calls for a starting rate of 50¢ for an apprentice, 5¢ more at the end of the probationary period, 5¢ more at the end of the first year, and 10¢ every six months for the next three years. Final rate \$1.20 an hour. Accordingly, total wages paid to an apprentice in four years equal \$6,150, or an average of \$1,530 per year.

With the recent Michigan State C.I.O. convention on record in favor of indentured apprenticeship, and with approximately 70% of the independent tool and die shops in Detroit favorably inclined toward the plan, there is reason to believe that an old and irksome problem may be nearer solution.

### Wage-Hour Test in Fall

THE UNITED STATES SUPREME COURT on the last day of the present session ordered a review of a lower court decision in the Darby Lumber Co. case, widely regarded as a test of the limitations of the Wage-Hour Administrator's power. This, in effect, told the Wage-Hour Administration to go ahead staking out areas for the law's enforcement until the High Court gets a chance next fall to hear any one of a number of cases which will precisely define the act's jurisdiction. The lower court had held that the lumber industry was not covered by the commerce clause of the United States Constitution and thus could not be regulated by a federal Wage-Hour Law.

### Rail Pay Showdown?

REPLYING THAT THE DEMAND of the non-operating railroad unions for vacations with pay was tantamount to asking a wage increase which western lines could not afford, the Western Association of Railway Executives gave the unions 30 days' notice of "our desire and intent to decrease all existing rates of pay of all employees represented by your organization in the amount of 10 per cent."

Telling the unions, which represent principally clerks, mechanics, electrical workers, and dispatchers, that the roads cannot afford to increase wage bills, C. E. Johnston, chairman of the Western Executives, indicated that his group was prepared for a showdown.

Under machinery provided by law to regulate industrial relations on the railroads, an actual strike is remote.

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MEMBE



¶ *This year farm families will spend 462 million dollars on household operation*



*June by Dale Nichols*

## Are you using the *effective* route to the farmer's dollars?

The farm is unduplicated as an economic unit in the American scene. It presents the unique combination of a source of livelihood and a manner-of-living—with *both* the personal concern of the entire farm family.

That's why selling the farm market calls for specialized effort.

Your sales message must influence a man who is simultaneously the head of his business and of his family; and, in addition, sell the partners in the business who *are* his family. Only the farm press can present your advertising message effectively to *all* of them in their dual capacities.

No where else can farm people obtain authoritative advice, guidance and help for both their prime interests—making more money and living better. The farm press is indispensable to them. And for that very reason it is indispensable to the advertiser who would sell the rich farm market.

### AGRICULTURAL PUBLISHERS ASSOCIATION

MEMBERSHIP COMPOSED OF NATIONAL, SECTIONAL, STATE AND SPECIALTY FARM PUBLICATIONS

Advertisement



## A Business Machine

INTERNATIONAL BUSINESS MACHINES CORPORATION  
World Headquarters Building, 590 Madison Avenue, New York, N. Y.

### At Both Fairs—

# Contemporary Art of the United States

Paintings from each of the 48 states,  
District of Columbia, Alaska,  
Hawaii, Puerto Rico, Virgin Islands

*on display at*

International Business Machines  
Corporation's Galleries of Science  
and Art

WORLD'S FAIR OF 1940 IN NEW YORK  
*International Business Machines Corporation's building*  
GOLDEN GATE INTERNATIONAL EXPOSITION  
*Palace of Electricity and Communication*

## PRODUCTION

### Paper Defies Water

Czech inventor hopes war uses foreshadow even greater utility for his process in peacetime.

TAKE A SHEET of paper that looks for all the world like a piece of everyday bleached kraft, dunk it in water until it is well soaked, lay it flat on a table, rub its surface hard with the fingers. Almost any other paper would scuff up promptly; this one does not.

Squeeze the same wet paper into a ball, throw it on the floor, stamp on it hard with your heel, then straighten out the wrinkles. While it is still wet, write on it with pen and ink. No scratching, no catching of pen points in paper fibers. It can be written on legibly in a driving rain. It's the paper which the German army is using for military maps, camouflage, "pup tents," and other purposes.

### Plan to License Process

Up to now, Germany and Russia—with the latter's protective domination of Latvia's paper industry—have had a virtual "exclusive" on the material, but the inventor of the "Aero-Hydro" process by which it has been made for over twenty years is in New York, and the Aero-Hydro Corp. is in process of formation. Present intent of the backers of the new outfit is not to manufacture paper, but to license the process to established American paper manufacturers.

H. Scherbak, the inventor, is a Czech engineer who long commuted between Germany and Latvia during the development and early manufacture of his process. In 1930, he retired from active business, changing his residence from Berlin to Paris. With the onslaught of war, he came to New York. What he has, in a nutshell, is a secret "size"—the ingredient, such as rosin or glue, which gives bulk and "feel" to paper. Scherbak's size is introduced to paper at the same point in its manufacture that any usual size would be introduced, but his size apparently penetrates the individual fibers of almost any kind of paper and causes them to adhere to each other like the fibers in leather. Modifications to accommodate the process in existing paper machines are said to be few and not too expensive. Cost of the size itself is about one cent per pound of paper treated.

### Employed in Camouflage

Mr. Scherbak says that the Nazis have considerable edge over the Allies in the matter of camouflage. Instead of huge fishnets covered with tree branches and other trimmings to protect big guns from the eyes of enemy aviators, the Germans use his paper, splashed with green for summer, brown for autumn, white for

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winter. A fishnet, 33x44 ft., weighs 130 lb., costs \$25; a paper of the same size weighs 26 lb., costs \$4. Paper pup tents weigh less, cost less than canvas, and are good for many nights.

Although he has been in consultation with the U. S. War Department in the hope that his waterproof paper may become a part of the big defense program, his main objectives fall into the peacetime lines of packaging, weather protection, and paper specialties. Waterproof military maps are invaluable, but he thinks waterproof auto maps and navigation charts will be useful to more people, hence more profitable in the long run.

#### Bags, Raincoats, Billboards

The packaging of frozen foods has been getting a good bit of Mr. Scherbak's attention. By coating his paper with a thin film of Goodyear "Pliolite"—a coating material not to be confused with "Pliofilm"—he achieves a material exceptionally proof to the passage of moisture vapor. He has also had his eye on the big seven-ply paper bags used for the shipping of dry chemicals and other materials. After considerable experimenting, he thinks that three plies of his material will do an even better job for less money.

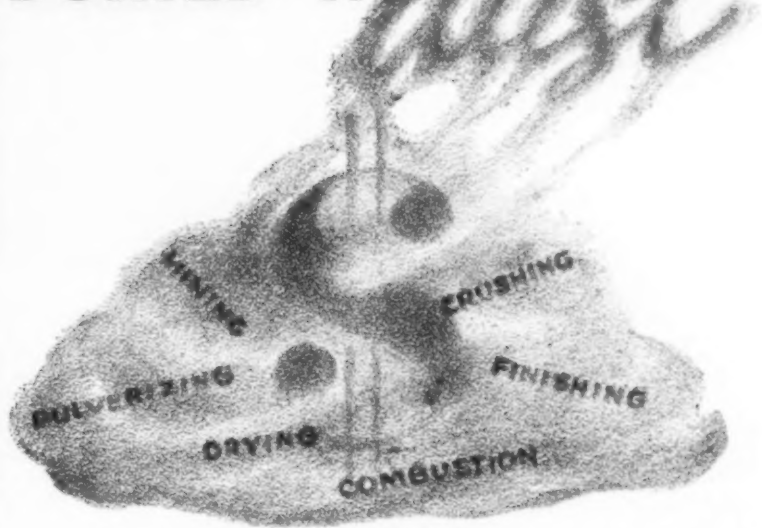
Weather protection, in his view, runs the gamut of inexpensive paper raincoats and capes to paper protectors for farm implements and crops to huge paper "tarpaulins" to protect coal in railroad transit. Since his paper takes ink very well in printing and lithographing, he looks to the day when the billboards of the nation will be posted with Aero-Hydro waterproof "24-sheeters."

#### Checks, Utensils, Books for Blind

By changing the paper process somewhat in the course of manufacture, Mr. Scherbak can add to waterproofness, resistance to oil, grease, alkali, acid, odors, what-have-you. Bank checks treated with one of his compounds are rendered forge-proof, it is claimed. One of his best demonstrations consists in cupping the piece of paper which was dunked and trodden under heel, and boiling water in it over an alcohol lamp without apparent harm to the paper. He is now working on a series of folding paper cooking utensils for camp and emergency use. Waxless paper milk bottles are contemplated.

Probably the project closest to his heart is the production of paper for Braille books for the blind. Present papers do not stand up as long as he thinks they should under the friction and perspiration of sensitive fingers. Mr. Scherbak holds that the paper in Braille books should withstand washing and disinfecting. To that end, he has offered his services "free as instructor in the manufacture of such paper which can be produced with a simple converting of common paper at a very low cost amounting to one or two cents a pound of Braille paper."

# PROFITS ARE OFTEN BURIED IN



Many profits are buried under the losses caused by inefficient dust control methods...losses from waste of valuable material...losses hidden in contamination and machinery breakdowns, in reduced efficiency...profit losses just as real as those that can be seen by every industrial executive. Here, for example, are six of many operations in which dust, uncontrolled, can cut profits secretly:

MINING  
CRUSHING  
PULVERIZING  
COMBUSTION (in Kilns and Boilers)  
DRYING (by Rotary or Spray method)  
FINISHING

Buell Dust Collectors, using the patented Van Tongeren System, are designed for efficient control of the dusts from these operations. Purchase price of Buell equipment is low. Operation and maintenance cost little. Buell equipment will serve you well and long—and help you salvage many of the profit dollars now buried in dust.

A copy of our informative booklet  
"INDUSTRIAL DUST COLLECTION"  
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Wherever located, you will be quickly served through sales offices of either BUELL ENGINEERING CO. or B. F. STURTEVANT CO.





## Speed and Stamina for Waterbugs with Mallory Contacts

Even if you've never slapped along the water in a racing outboard, it doesn't take much imagination to realize how much power those small but rugged engines whip up when they're screaming along at top speed.

Mallory Electrical Contacts play the same important part in these sporting engines as they do in modern automobile engines. Hour after hour of racing and practice runs at high speed still finds these points providing clean, positive electrical contact.

Mallory is the only manufacturer supplying electrical contacts of every type . . . for every service that involves the making and breaking of an electrical circuit.

**P. R. MALLORY & CO., Inc.**  
INDIANAPOLIS INDIANA

Cable Address—Pelmollo

**P. R. MALLORY & CO., Inc.**  
**MALLORY**  
PARTS FOR RADIO, ELECTRICAL,  
AUTOMOTIVE AND INDUSTRIAL FIELDS

## It Pays to Take the Century



**16 HOURS** NEW YORK  
CHICAGO

All accommodations are *private rooms*. All guests enjoy the Scenic Lounge; Club Lounge; gay "Cafe Century." All cars air-conditioned.

*Daylight Saving Time*

Lx. N. Y. 6:00 PM — Ar. Chicago 9:00 AM  
(Grand Central Term.) (La Salle St. Sta.)

Lx. Chicago 4:00 PM — Ar. N. Y. 9:00 AM  
(La Salle St. Sta.) (Grand Central Term.)

**20TH**  
**Century**

LIMITED



The Water Level Route  
... You Can Sleep



## Fifteen Years Old—And Still Growing

HIGH POINT in Chrysler Corp.'s celebration of its 15th anniversary at Highland Park, Mich., this week was the dedication of two new engineering laboratories. The quintessence of corporate centralization, these new laboratories double Chrysler's engineering facilities.

In these laboratories, the triumvirate of Zeder, Skelton, and Breer—who control all Chrysler engineering—have installed such little-known items of equipment as X-ray diffraction spectrometers and dilatometers to enable scientists to delve deeper into the fundamental causes underlying the behavior of materials—unknowns which, when properly evaluated, will form focal points for further advance in car design.

The variety of activities which go on in the new buildings are barely suggested in these pictures. In the ferrous laboratory above—and progressive is the word for this department—a piece of steel goes to one bench to determine the percentage of carbon, to another for the percent of manganese, to another for chrome, and so on until everyone has had a look at the patient. The floor of one of the buildings (left, below) car-

ries out the hospital parallel. The lab at the right below is one of the "wreck them as fast as you can" mechanical test laboratories, designed to determine on a comparative basis physical characteristics, wear resistance, and life of parts.

The corporation, through the Chrysler Institute of Engineering, will train its own research men, in post-graduate courses in these laboratories, to handle not only the 20% of routine testing and controls, but also the 80% of product development and fundamental research which go into the makeup of a day's work in the laboratory.

Chrysler's Divisional Chief Engineers will now meet on alternate Mondays and throw their product research problems into the committee hat; then they will be drawn out and passed on to the proper departments in the laboratories to be solved for the benefit of all divisions.

Well-appointed as the new laboratories are, they will be less costly than they seem, because Chrysler's standardization of fundamental design for all its cars makes any finding just as worthwhile for the Plymouth as for the Chrysler Imperial.



## FAMILIAR ACTS THAT MARK A BETTER WAY OF LIVING



You  
click your  
Camera  
or hold  
this Glass



Naturally, when you see people doing familiar everyday things with their hands—taking a picture or drinking Coca-Cola or what not—it may not occur to you that such simple movements are the life of business.

Fifty-five years ago, no amount of money would buy you an ice-cold Coca-Cola. The next year you could buy it for five cents.

The price is still a nickel and you can buy ice-cold Coca-Cola never far from where you are. You and people like you helped to make that happen. You tasted Coca-Cola, you liked it.

So Coca-Cola went into soda fountains everywhere. It went into bottles coming from hundreds of bottling plants. Then came the familiar red coolers. Then

the famous six-bottle cartons. Finally, more than a million retail places to serve you.

Coca-Cola comes to you prepared with the finished art that comes from a lifetime of practice. You can taste the quality of Coca-Cola. That's the main reason so many millions every day pause to enjoy the refreshment of ice-cold Coca-Cola.


COPYRIGHT 1940, THE COCA-COLA COMPANY

Your desire for its quality  
and years of work have made Coca-Cola  
the drink everybody knows... and have made  
*the pause that refreshes*  
America's favorite moment.

## NEW PRODUCTS

### Laboratory Glassware

IT HAS TAKEN less than a year for Corning Glass Works, Corning, N. Y., to complete its manufacturing procedure for the new ultra-low-expansion glass which, paradoxically, shrinks at one stage in its making by 13% (BW—Jun 24 '39, p. 39). A small pilot plant is now producing beakers, crucibles, flasks, and tubes out of the revolutionary material under the name of Pyrex Vycor Laboratory Glassware. Coefficient of expansion is only one-fourth that of regular Pyrex chemical glass, hence it can be plunged red-hot into ice-water without damage.

### Payroll Expediter

CALCULATIONS for payrolls under Federal Wage and Hour Laws are done in advance in the "Payroll Auditor," a handy

loose-leaf book published by Payroll Audit Co., Owatonna, Minn. Standard pay, overtime pay, and total pay are all prefigured for rates ranging from 30¢ to \$1 per hour, work-hours from ¼ to 80½.

### Thermostatic Fan

WHEN NO AIR IS REQUIRED to cool the radiator of a gasoline or diesel engine, the blades of the new Kontrol-Fan flatten out, do no cooling, make no noise, save power and fuel. Kontrol-Fan, Inc., 55 W. Green St., Pasadena, Calif., makes the cooling fan with variable-pitch blades, automatically adjusted by a thermostat.

### Pocket Shoe-Trees

PACKED in a flat, pocket-sized case, and thus presenting no weight or space problem to air travelers and others, "Wings-

for-Your-Shoes" fold quickly into efficient shoe trees for keeping wrinkles out of shoe toes. They are merchandised by Wayne W. Light Co., 11 W. 42nd St., New York.

### Shooting Spectacles

DESIGNED FOR HUNTERS and marksmen, and therefore offering a larger field of vision than the general run of sun glasses,



new Streamlined Shooting Glasses are announced by American Optical Co., Southbridge, Mass. They come equipped either with Calobar lenses for bright days, or Noviol lenses for dull days. Both can be ground to prescription.

### Giant Wall Board

NEWEST CONTRIBUTIONS to time-saving "dry-built construction" are Upson Strong-Bilt Panels in sizes up to 8 x 14 ft.—large enough for one panel to cover the wall of an average room without cracks or joints. Upson Co., Lockport, N. Y., the maker, adds to their smooth



plaster surfaces a size, or primer, so that they can be finished quickly after erection with one or two coats of paint.

# Speed Nuts

PREVENT  
LOOSENING

REPLACE  
TWO OR  
MORE

**CUT ASSEMBLY COSTS IN HALF**

**AND GIVE YOU A BETTER ASSEMBLED PRODUCT**

In every assembly, one SPEED NUT always replaced two parts, namely, threaded nut and lock washer. But in scores of other assemblies, one SPEED NUT has frequently replaced from three to six parts.

Manufactured from high carbon spring steel and heat treated, SPEED NUTS provide positive holding power for the life of the product. Made in over 500 shapes and sizes for most standard sizes of machine screws, stove bolts, metal screws, metal rivets, die cast and plastic studs. Write for samples today, stating sizes desired and nature of application.

**TINNERMAN PRODUCTS, INC.** 2047 Fulton Rd.  
Cleveland, Ohio

Manufacturers of Patented SPEED NUTS

IN CANADA: Wallace Barnes Ltd., Hamilton, Ontario  
IN ENGLAND: Simmonds Aerocessories Ltd., London



## MARKETING

## Is Fair Trade Fair?

Effects of price laws will be weighed in two studies—one by government, one by industry.

WHAT EFFECT have the fair trade laws had on prices? Has the general level been raised or lowered as a result of the operation of these state laws that permit manufacturers in 44 states to fix the minimum resale price on their branded goods? Have prices in big cities been more affected than prices on similar products in rural areas?

Business will shortly have the answers to these and many other questions about fair trade. In fact, business will have two sets of answers. One will be supplied by the Federal Trade Commission (BW—Mar 25 '39, p. 26) and one by the Druggists Research Bureau (BW—Apr 1 '39, p. 36).

Staff work on the government survey was concluded more than a month ago, and presumably the five members of the commission have been scrutinizing the results ever since. When they have formulated their conclusions from the factual material submitted by the economic division, the full report will be sent to Congress or the White House and eventually made public. Exactly when that will be, nobody knows.

The industry study is in much more nearly final shape. Some 362 pages of manuscript—100 pages of text and 262 pages of tables—was ready for the printer this week, and copies should be available in about four weeks. The price will be \$5 each.

## Many Interrelated Problems

The Druggists Research Bureau—an organization jointly sponsored by the National Association of Retail Druggists, the National Wholesale Druggists Association, the Federal Wholesale Druggists Association, and the American Association of Colleges of Pharmacy—undertook to compare prices on a list of 64 standard drug products before and after enactment of state fair trade laws. Questionnaires were sent to all kinds of retail outlets selling these products and they were so drafted that the effect on price movements of such factors as type of store, size of store, and size of trading area could be traced.

The exact procedure adopted by the Federal Trade Commission will not be known until publication of the final study, but inevitably government researchers were confronted with the same problem which beset the Druggists Research Bureau: how to determine what prices actually were prior to enactment of the state laws. In the case of California, pioneer fair trade state, the search for these important facts would neces-

## Water Cooling?

"Everybody's happy now we've got FRIGIDAIRE Coolers... workers, customers and our treasurer, too!"



Make YOUR Business  
a Better Place to Work...  
Cut Cooling Costs with  
FRIGIDAIRE Water Coolers

● Installing Frigidaire Water Coolers before hot weather really sets in is mighty good business! For these economical and dependable units make work more agreeable for employees and build both customer and employee goodwill. Because of their Frigidaire construction, they offer superior cooling results at less cost, saving you money over old-style methods. Call in Frigidaire today for a free survey of your requirements. See nearest dealer, or write Frigidaire Commercial and Air Conditioning Division, Dayton, Ohio.



Economical Frigidaire  
Water Cooler with  
Famous Meter-Miser  
Mechanism

Only 15¢ a day buys... as little as 2¢ a day runs this low-cost Frigidaire model. Other coolers for any need. Investigate.

Call in the expert—  
Call in Frigidaire

Products of the Frigidaire Division of General Motors, world's leading manufacturer of mechanical cooling devices, include: Water Coolers, Unit and Central System Air Conditioners, Milk Coolers, Frosted Food Merchandisers, Beverage Coolers, Refrigeration Equipment for display cases, walk-in and reach-in coolers.

# SHOWERS FOR *Everyone* NOW



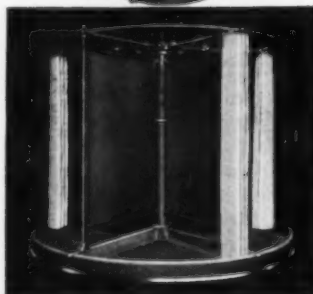
**Industry leading the way  
with these Multi-Stall Units  
LOWEST INSTALLATION COSTS**

Following the lead set by Bradley Washfountains—industry, recognizing the advantages of shower facilities, has found that Bradley Multi-Stall Showers provide similar savings in water consumption, space and instal-

lation cost. A 5-Stall Bradley Shower is as easy to install as the conventional single stall shower. One hot water connection, one cold water and one drain are all the piping connections required to serve all five stalls.

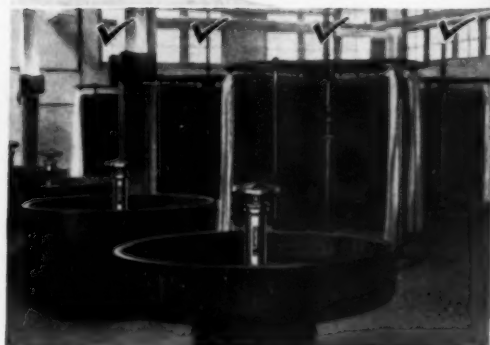
Clean and sanitary,—proof against sudden chilling or scalding,—Bradley Multi-Stall Showers provide washing facilities at low initial and maintenance cost. Our Booklet "Washroom Layouts" contains helpful suggestions . . . Let us mail you a copy . . .

**BRADLEY WASHFOUNTAIN  
CO., 2225 W. Michigan St.,  
Milwaukee, Wis.**



Type AM 5-Stall Bradley Shower with Receptors. Can be installed on any floor, including wood. Top illustration shows overhead view of showers in use.

Free Washroom  
Layout Booklet.  
Write for a copy.



Section of washroom with Bradley Washfountains in foreground, and Bradley Multi-Stall Showers in rear.

## ★ BRADLEY MULTI-STALL SHOWERS

sarily have to go back a full seven years. Then there would be the subsidiary problem of how to arrive at an accurate weighted average of regular prices and the lower prices which prevailed during sales when a considerable extra volume of goods was moved.

Different methods of determining these pre-fair trade prices might well account for widely different results and widely different conclusions about the desirability of private price control.

Apparently convinced that the Federal Trade Commission was prejudging the case, John Dargavel of the National Association of Retail Druggists, the trade association which was the spearhead of the drive for the fair trade laws, took violent exception to the questionnaires which the FTC first distributed. He charged that they were unfair, and he made it clear that the druggists were keeping a close watch on the commission.

Nevertheless, it is not likely that FTC will be deterred from reaffirming its 1931 conclusion that "the potential damage to consumers through price fixing would be much greater than any existing damage to producers" resulting from loss leader selling. However, relying particularly on their one friend at court, Commissioner Charles H. March, the druggists are hoping that FTC won't be quite so tough on fair trade. If it is, they will have their own \$20,000 study to buttress charges of bias.

## Price-Law Mileposts

**Revised Minnesota act is upheld by court; foes of Colorado legislation put repealer on ballot.**

PRICE MAINTENANCE LAWS made news in two states last week.

In Colorado, petitions asking repeal of the fair trade and unfair trade practices acts got enough signatures to insure their going on the ballot this November. The fair trade law permits a manufacturer to set a minimum retail price on trademarked goods; the unfair trade practices act simply prohibits retail sales below cost plus a percentage to cover the retailer's cost of doing business.

In Minnesota, a revised unfair trade practices act was given a clean-cut O.K. by the state supreme court.

To combat the Colorado laws, supermarkets, chains, and cut rate drug stores banded together in the Consumers' Protective Council and took advertising space in Denver papers (*BW*—Apr 27 '40, p. 43). To get the 35,391 signatures needed to put the measures on the ballot, the council stationed a pretty girl with a fountain pen and a copy of each petition in cooperating stores.

Minnesota's law, passed by the legislature in March, 1937, had a stormy career before its amendment last year. In 1938, as a result of a suit brought by

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## Safest Thing on Wings



International

THIS LITTLE ERCOUCPE, flying over the factory grounds at Baltimore where it's going into production soon, has caught the eye of aviation experts because it's so safe and simple to fly. So far the two-place monoplane has defied the efforts of Civil Aeronautics Authority test pilots to put it into a tailspin. The design of the wings tends to eliminate stalls. Even when the control wheel is pulled all the way back and the nose of the plane lifted to a high angle, control is not lost. The owner has only one control to operate—a wheel which automatically co-ordinates aileron and rudder on turns.

The tricycle landing gear (like that on the Douglas DC-4), with a swiveling nose wheel, allows the pilot to "fly into the ground" instead of stalling for a three-point landing—a tough maneuver for amateur pilots. This arrangement also helps to correct the tendency of light planes to swerve while taxiing. The ship weighs only 715 lb. empty, and 1,175 lb. with gas, passengers, and baggage. It has a maximum speed of 117 m.p.h., and a cruising speed of 105 m.p.h. Gasoline consumption is about 4 gal. an hour. By September, its manufacturers hope to be turning out one a day at a price of \$2,590.

the Great Atlantic & Pacific Tea Co., it was declared unconstitutional by a three-judge federal court on the grounds of arbitrary definition of cost: manufacturer's list price, less published discounts, plus the cost of doing business, which was fixed at 10% (BW—May 7 '38, p25).

The amended law leaves selling costs at the stiff 10% (majority of the two dozen unfair trade practices acts specify 6%) but a smaller percentage markup is permitted if the cost of doing business can be proved to be less than 10%. This leaves a loophole for the A.&P.

## Liquor Trouble Again

**Schenley by-passes wholesalers in New York; price maintenance by drink gets tryout.**

NEW YORK CITY's turbulent liquor front is giving indications of fresh trouble after nearly a month of comparative quiet. First sign came late last week when Schenley Distillers Corp. announced that in the future sales of Schenley brands, and its newly-acquired Oldetyme brands (BW—Jun 1 '40, p17) in New York City would be direct to retailers, with whole-

salers and jobbers out of the picture. Big retailers will undoubtedly rejoice over this, but the trade has an uneasy feeling that it presages another price war, since the announcement was accompanied by an offer of extra-large quantity discounts for the first week.

To add to the confusion, the United Restaurant Liquor Dealers of Manhattan, Inc., has announced that the Gordon-O'Neill Co., Inc., distillers of Baltimore Club rye and other brands, has negotiated a contract for minimum price maintenance on its liquors bought by the drink in bars and grills. Although Gordon-O'Neill is a fairly small outfit, the liquor dealers claim that at least one of the big six (Schenley, National Distillers, Seagram, Hiram Walker, Brown-Vintnor, Calvert) is working around to a similar contract. Claims that the plan will work out are based on the fact that the price minimum is set at 15¢ an ounce—not a glass.

Schenley says its new sales plan is for New York only and will not affect national distribution. This is the second time the company has tried to strengthen its position in the New York market by doing away with wholesalers. A similar plan was tried out in the spring of 1936 and abandoned after three months.



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## Television Doldrums

**FCC report makes commercialization remote, leaves RCA holding bag. Set sales halt.**

THE TELEVISION INDUSTRY was viewing the future darkly this week, following the report of the Federal Communications Commission, reaffirming its ban on commercial television broadcasting and throwing the problem of standards back into the lap of the receiver manufacturers and broadcasters (BW—Jun 1 '49, p. 8).

Hopes that some constructive suggestions concerning the television standards might come from Washington were unanswered by the report, which said in effect: "When the television industry is ready and willing to present a solid front to the commission, the commission will permit commercialization—not before." That any such solid front would be forthcoming seemed a very remote possibility in view of the history of dissension in the radio industry and the quarrels between RCA, Philco, and DuMont in the recent hearings.

RCA, leading proponent of commercial

television, thus found itself in a very embarrassing position. Having spent in the neighborhood of \$10,000,000 on television research, and having supported the NBC television program service to the tune of a deficit of more than \$500,000 a year, RCA finds itself at the mercy of any competitor who may wish to mar the "solid front" for private reasons. RCA can hardly initiate an industry move toward cooperation on the disputed standards without inviting trouble from the industry and suspicion from the FCC.

Of course, other companies in the field may see in the FCC action a dangerous threat to the whole radio industry, sufficient to cause them to put away private grudges in the television field. Hence proposals having wide, if not unanimous, support may be forthcoming before fall, when the FCC promises to review the situation.

Meanwhile, sale of television sets has come to an abrupt halt. Many independent television manufacturers are looking up the provisions of Section 77B, and the industry wonders how long NBC television program service can continue without visible encouragement from any source. No immediate curtailment of the service is contemplated, however.

## A Tax That Hurts

**Illinois business organizes to fight state rulings which drive trade to out-of-state competitors.**

TWO MONTHS AGO the Illinois Department of Finance revised its regulations on tax liability under the retailers' occupational tax which is that state's equivalent of a sales tax. Two recent decisions of the United States Supreme Court (McGoldrick v. Berwind-White, and Graybar v. Curry) are the basis for broadening the rule to tax a lot of sales that formerly went scot free.

Stripped of the whereases, the new ruling practically means that anybody who lives or does business in Illinois, whether by maintaining an office or sending out a salesman, is liable for 3% tax on any retail sale to an Illinois customer. Where the goods come from and where delivery is made cut no ice unless the deal is for out-of-state goods and is handled by mail from start to finish, without being touched by any Illinois representatives of the seller.

Illinois business men have been viewing with alarm what they consider discrimination against themselves in favor of out-of-state competitors through the tax authorities' erroneous conception of what constitutes intrastate commerce. Last week, 800 of them assembled on call from the Chicago Association of Commerce to exchange notes on what the new rule is doing to them. Presently they were trumpeting their rage.

### Some Move to Avoid Charge

C. J. Whipple, president of Hibbard, Spencer, Bartlett & Co., asserted that competitors from outside Illinois have been taking his home-state customers ever since April 1, because wholesale hardware prices won't permit his firm to absorb the 3% additional expense. Half a dozen business heads testified that they can no longer sell to Illinois customers against Milwaukee, Detroit, and Indianapolis competition. A real estate man and a lawyer claimed that several big companies have closed Chicago offices so that they may sell across state lines and shed the liability for the Illinois tax. Others complained of the vast increase in paperwork to report sales on which no tax is involved.

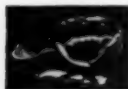
Behind their hands, a few whispered to neighbors of schemes already successful in evading the tax, such as setting up dummy sales agents in other states and letting them handle by mail all sales to Illinois customers. Nobody would mention names of firms that have taken steps to get around the tax, lest these suffer at the hands of the tax gatherers.

Uproshot of the protest meeting was appointment of a committee to find a way to modify the law or the new regulations. Skeptics who had suspected this was just



This 250-Ton Hammerhead Crane is used to set guns, turret heads, etc. at the Puget Sound Navy Yard, Bremerton, Wash. Controllers by EC&M of Cleveland.

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another squawk against taxes took another look when the names of the committeemen were published. Hard-working representatives of retail, wholesale, chain, manufacturing, and real estate companies accepted the job, indicating that the new interpretation really is pinching a fair cross-section of Illinois business and that it is actually driving some branch offices outside the state.

Best guess on next step seems to be: A test case, brought to trial as speedily as the none-too-eager state tax authorities will permit.

## Movie Promotion Up

**Producers plan to spend more on advertising to relieve the pinch of war losses.**

TRADITION HAS IT in the trade that the big motion picture companies estimate their anticipated advertising and promotion budgets for publicity purposes by multiplying an assorted half-dozen of five-figure telephone numbers—with the answer invariably "bigger than ever before."

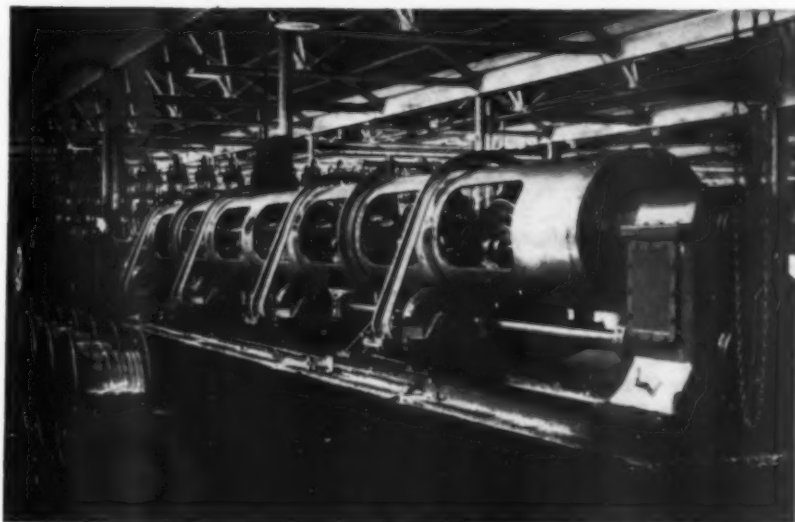
This time, though, the belief is that the companies really mean it. The pinch of a rapidly vanishing foreign market, combined with a none-too-prosperous spring season at home, is making itself felt, and the producers are out to relieve their pain in the only way they know—by spending more money. Metro-Goldwyn-Mayer, Paramount, United Artists, Warner Brothers, and Radio-Keith-Orpheum have all announced substantial increases. Biggest boost is United Artists', which will jump a \$3,000,000 advertising and promotion budget from some \$1,900,000 in the past year.

Paramount expects to up its figure to \$2,000,000—a \$500,000 increase, while M.G.M.'s \$2,750,000 is around \$250,000 ahead of last year. Twentieth-Century Fox's announced \$2,700,000 is about in line with the past year, and Universal's budget is expected to run about the same.

All the companies have learned their lessons from "Gone with the Wind," "Rebecca," and "Grapes of Wrath," the big successes of this year, which got strong build-ups six months and more ahead of time. Most of the producers plan to spend more money in local newspapers and trade papers. Cuts, if any, will be made in national magazine budgets.

The industry is keeping its fingers crossed for fear that even more of the foreign market—estimated as bringing in some 40% of its total gross in a normal year—will disappear (BW—Feb 340, p. 49). The companies figure it will take around a 20% increase in domestic business to make up the difference, and right now war interest is keeping people away from the theaters here.

## This plant came here because . . .



**"you can  
make money  
in Pennsylvania"**

This is just one out of almost \$200,000,000.00 of new plants and major plant expansions started in Pennsylvania in one year. Here is why this company says it picked Pennsylvania:

" . . . we made a careful survey of several states . . . "

" . . . it was apparent that Pennsylvania is geographically located to advantageously serve a tremendous market . . . "

" . . . shipping facilities are splendid . . . "

" . . . power rates are reasonable . . . "

" . . . despite these advantages, we did not locate here until we were convinced that the present State Administration, through its Department of Commerce, was determined that labor and industry alike should be treated fairly and equitably and that both would be encouraged by a trend towards lower taxation in general, and that every citizen could expect a fair deal."

Would conditions like these help your company make money? Write to the Department of Commerce, Harrisburg, Pa., for your copy of "Pennsylvania—Its Many Industrial Advantages."

# Pennsylvania

where your business can expand



ARTHUR H. JAMES Governor • RICHARD P. BROWN Secretary of Commerce

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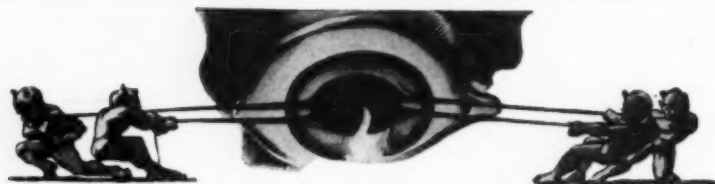
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KENAMETAL-tipped tools can be quickly installed . . . and are equally effective on old or new machines. A National Emergency exists—write, wire or phone today for free survey to show how KENAMETAL can double production of steel parts in your plant. No obligation—act now!



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Improperly ground safety goggle lenses cause eye pull . . . eye pull causes headaches . . . and headaches slow down production.

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## Public or Private?

Poll reveals 55.4% favoring government ownership or on fence; only 44.6% flatly opposed.

"DO YOU BELIEVE in government-owned industries?" Of approximately 1,000 Americans who were recently asked that question, only 44.6% flatly answered "no"; 22.8% said "yes"; 14.6% said "it depends"; and 18% said "don't know."

The question was part of a public opinion poll made for *Food Industries*, fellow publication of *BUSINESS WEEK* in the McGraw-Hill Publishing Co. *Food Industries* remarks, in its current issue, that the fact that 55.4% of those questioned are either for government ownership or on the fence "presents a ponderable situation for those who believe in private enterprise."

Conducted by the research division of Hartwell, Jobson & Kibbee, the poll is intended to be indicative rather than definitive. It does not necessarily reflect the opinion of the whole country, for the personal interviews were made only in urban centers east of the Mississippi. And, since the study was conducted primarily for the benefit of the food industry, 80% of the interviews were with women, the buyers of food.

Those who said they believed in government ownership of industry were then asked, "Which food industries should be government-owned?" On the average, each respondent named 2.3 industries, with the heaviest voting falling on these: meat packing, 58.1%; milk and dairy, 38.2%; canning, 25.4%.

When asked which of certain industries they viewed favorably and which unfavorably, the interviewed people gave these ratings:

Industry	Favorable	Unfavorable	Don't know
Insurance	74.2%	11.2%	14.6%
Food	72.0	16.8	11.2
Automobile	71.2	10.4	18.4
Electrical	64.4	16.0	19.6
Drugs, cosmetics	51.8	22.8	25.4
Steel	49.0	10.2	40.8

Of these six industries, the drug and cosmetic group apparently is confronted with the biggest job in improving public relations, for its surplus of "favorable" over "unfavorable" impressions is lowest.

## Nylon Returns Are Low

SCATTERED REPORTS from department stores indicate that returns on nylon hosiery are running lower than had been expected. Store executives had feared that women would expect too much from nylon and make returns with every snag or run.

Bloomington's (New York) reports that returns on nylons amounted to about 1.6% of sales in the first two weeks—a smaller percentage than the store has experienced on silk stockings.



# INDUSTRY ORGANIZES

## *For National Defense*

**A**LERT to what is happening in Europe, the American people are setting out to strengthen their defenses against aggression from any quarter. Already the government has laid down an initial program to that end.

The surest defense against aggression is the ability to resist it. If we are known to be well prepared we may avert attack. If we cannot avert it we shall be armed against it. But preparedness against war means preparedness to wage war.

And modern war is an industry. Like every other industry, it is a matter of men, materials and machines. Fighting men must be skilled workers, trained to use an arsenal of special tools and equipment that are just as diversified and just as essential to success as those of any other industry.

The plant, supplies and personnel of war must rival in efficiency those of any peacetime industry. For the stakes of success or failure in war are not paid in money profits or losses: they are paid in the lives and property of the people, in the security — perhaps the survival — of a nation.

\* \* \*

Sound national defense calls first for a comprehensive program, carefully planned to back up a clear-cut policy as to what we expect to defend. Next comes the appropriation of funds to realize that program. These first steps are vital: they are up to government.

Then program and appropriations must be translated into performance. Native raw materials must be produced, processed and stored. Our meager supplies of strategic materials of foreign origin must be built up until we have accumulated ample stockpiles against the use and wastage of active war. And most urgent, because it is most complicated, raw materials must be manufactured into the innumerable items required to equip the modern army.

We of McGraw-Hill, living with American industry as we do, are keenly aware of the effort that will be required to produce the materials and equipment now needed to modernize our national armament.

Tanks and anti-tank guns, airplanes and anti-aircraft guns, machine guns and automatic rifles, trucks and tractors, destroyers and supply ships — these are but a few items from the endless inventory of military and naval equipment that we must produce by scores, hundreds and thousands, even to arm an Initial Protective Force, behind which we might rally our national resources for decisive effort.

Obviously the army and navy must count on American industry for an ample and continuous supply of this equipment, and industry must organize to produce it in vast quantities. This means the construction and adaptation of manufacturing, transportation and storage facilities, the organization of competent executive and technical staffs, the training of skilled craftsmen in numbers adequate to maintain exacting production schedules. All this, in itself, is an industrial organization problem of the first magnitude, but upon it is imposed still another and vital specification — *sustained speed*.

For time is the all-essential ingredient of modern war. It cannot be bought with any appropriation, however great; once lost, it cannot be recaptured; we must make effective use of it while we still have it. And at this juncture we have none to waste in fumbling, jockeying or experiment.

\* \* \*

Two courses are open to carry out such a program.

1. We might adopt the totalitarian plan of nationalizing industry, conscripting the wealth and labor of all, and suppressing the normal incentives and management of industry in favor of the authority and control of government officials.

2. Or we can stick to the American way of achieving national unity and efficiency by intelligent cooperation between industry, labor and government.

There are those to whom the first will appeal as being the more direct. But I am convinced that most Americans will insist that the job be done in the American way. And in this preference the President, speaking for government, already has indicated his concurrence.

But effective cooperation in so complex and unfamiliar a task demands the utmost of mutual understanding and confidence from all concerned. Confusion of purpose and conflict of opinion are bound to arise — have, indeed, already arisen. Needs and capacities in many fields must be reconciled, relative priorities for various products must be determined, specific parts of the whole program must be allocated, supervised and coordinated with other parts. Government officials, smarting under the whip of urgency, must render quick decisions on highly technical matters, while industrial executives, masters of their own operating technique, must adapt themselves to arbitrary and unfamiliar requirements.

Under such conditions, many problems will arise that must be worked out between the men of industry and those of government. Some of them will be the more acute because of the restrictions under which industry has had to work during recent years—restrictions that have curbed not only the expansion of plant capacity, but also the development of improved processes and the supply of skilled workers. Now, from this sag in our industrial growth, many departments of industry must undertake an overnight expansion of capacity to meet the exacting time schedules of national defense. So industry must look to government for the cooperation that will enable it to expand its facilities promptly and yet write off in reasonable time its heavy emergency investments.

\* \* \*

If we are to deal wisely with these situations, and many more we cannot now foresee, everyone engaged in any part of the defense effort must be willing and able at all times to get a fair understanding of the problems of the others. To help maintain such an understanding McGraw-Hill is peculiarly fitted.

1. By the organized exchange of views and information among our 24 papers, we can help to coordinate the thinking and practice of the 1,000,000 executives, technicians and operating men who are their readers, in matters that have to do with their part in the defense project.

2. Through constant contact with government agencies and the men of industry, our papers can interpret to industry the needs and policies of government and to government the problems and requirements of industry.

3. For the men of industry, each of our papers will expand its regular service as a clearing house of technical and operating data, with special reference to the needs of plants that are producing defense materials and equipment.

To forward these objectives we have set up within our

company a National Defense Editorial Board. It is composed of the chief editors of our publications that serve the functions and industries that are of key importance to the defense effort. Made up of men intimately familiar with the personnel and practice of their industries, this board will stimulate and supervise the activities of McGraw-Hill papers insofar as they can contribute to the defense effort. It will outline basic editorial themes, directed to the forwarding of that project, to be adapted by each paper to the special needs of its specific field.

The board will keep close touch with industrial executives and technicians so as to keep abreast of new problems as they arise. It will maintain contact also with government defense agencies and keep our editors posted as to government objectives, plans and problems. Thus it will function as a link between the several governmental defense agencies and the McGraw-Hill editorial organization, and so help each editorial staff to develop a program best suited to the special problems of its industry.

\* \* \*

In thus undertaking our part in an extraordinary industrial effort, we shall not neglect the normal concerns of American industry. So far as may be consistent with the paramount needs of national defense, production and distribution of the goods and services normally consumed by the American people must go on. The effort to mobilize industry for the national defense must be, in large measure, an additional job and an added burden.

That burden is within the capacity of the American people. But it will not be light. And if industry is to carry successfully its heavy share of that burden, it needs the full cooperation of every industrial function.

For more than seventy-five years, through peace and war, McGraw-Hill publications have served to interpret between the various departments of industry and between industry and the American people. Today, as we face these new problems, there is a new and urgent need for interpretation between the industries we serve and the government to which we all bear allegiance. It is fitting that McGraw-Hill should undertake this effort. To it I pledge every resource of our organization.

*James H. McGraw, Jr.*

President, McGraw-Hill Publishing Company, Inc.

*This message is appearing in all McGraw-Hill industrial and business publications, reaching over a million readers.*

## A BUSINESS WEEK REPORT TO EXECUTIVES



## THE BUSINESS SIDE OF NATIONAL DEFENSE

Out of a whirlwind of incomplete plans, half-formed policies, and unanswerable questions, the Editors of Business Week draw the basic facts about the government's program that are important to executives who want to know where their companies may fit in.

THE SPEED-UP OF NATIONAL DEFENSE is pulling business men and organizations toward Washington. Last week, representatives of 200 chambers of commerce were on the job there. They are promoting their cities as choice spots for new war-industry plants or additions to old ones.

Press agents apply highfalutin names to this mobilization at the capital. Actually it is patriotism plus a legitimate interest in government orders. But, right now, conditions are such that company executives are trying to do business with a whirlwind. Wild speculations go round and round. Legislation, to say nothing of Presidential and departmental policies, remains to be fixed.

Lacking competent guidance, the business man in Washington is apt to lose his way and even his grip on the realities. Hence, basic facts should be emphasized:

The defense program calling for about \$4,500,000,000 (since a billion was added) carries \$2,000,000,000 of regular Army and Navy expenditures. All the hollering is over the extra \$2,500,000,000, a sum large but not colossal. It applies to the fiscal year ending June 30, 1941, and the full force of the spending won't be felt until well into next year. It will aid but not solve the unemployment problem. Aviation industry, the field most vitally affected, expects employment to rise from the present 100,000 to a possible 500,000, which doesn't make much of a dent in the 10,000,000 estimated jobless.

The business man also should get a realistic view of the War Department's production program. Some 1,200 companies have been selected by the department as suppliers of critical items and another 10,000 are on an "accepted" list.

Names of these companies are secret. Some of them may be in production on educational orders (see box, page 54) for which \$16,250,000 was appropriated in the current fiscal year.

Can other companies get on this list or make parts for those that are on? And where would you go to find out?

The government is not in the market for staple items in plentiful supply (such as flour, wall-board, shoes, cotton textiles). Companies examined and listed have shown ability to make some of the

1,200 non-commercial products that involve special production problems as the list on page 54 indicates. If you think your company belongs on this roster or that you can help some company that is on it you don't have to go to Washington or write to Washington.

Examination of plants is made by Army procurement officers stationed in various cities. They are the ones to contact in bidding on educational orders. Location of their offices with the ranking personality is given in the box on page

## What Are Strategic and Critical Materials

ON JANUARY 30, 1940, the Army and Navy Munitions Board approved the following definitions and lists of strategic and critical materials:

## Definitions

**Strategic materials:** Strategic materials are those essential to national defense, for the supply of which in war dependence must be placed in whole, or in substantial part, on sources outside the continental limits of the United States; and for which strict conservation and distribution control measures will be necessary.

**Critical materials:** Critical materials

are those essential to national defense, the procurement problems of which in war would be less difficult than those of strategic materials either because they have a lesser degree of essentiality or are obtainable in more adequate quantities from domestic sources; and for which some degree of conservation and distribution control will be necessary.

## Strategic Materials

Antimony	Mercury (Quicksilver)	Rubber
Chromium	Mica	Silk
Coconut shell char (for gas masks)	Nickel	Tin
Manganese, ferrograde	Quartz crystal	Tungsten
Manila fiber	Quinine	

## Critical Materials

Aluminum	Iodine	Platinum
Asbestos	Kapok	Tanning materials
Cork	Opium	Toluol
Graphite	Optical glass	Vanadium
Hides	Phenol	Wool



## Where to Go for Information about Defense Orders

Don't write Washington—but address your inquiries to the nearest procurement planning district office of the War Department. Here are the men who check up on

the kind of munitions and materials that each approved industrial plant can produce—the men who really direct the flow of orders.

### Key

OD Ordnance  
QMC Quartermaster Corps  
AC Air Corps  
CE Corps of Engineers  
MD Medical Department  
SC Signal Corps  
CWS Chemical Warfare Service

<b>Atlanta</b> QMC Maj. Rufus Boylan 1306 Twenty-two Marietta Bldg.	SC Maj. Thomas L. Clark 1819 W. Pershing Rd. CWS Mr. George B. Dryden 1113 P.O. Bldg.	OD Brig. Gen. Samuel McRoberts Room 1214, 90 Church St. AC Col. Roy M. Jones 90 Church St. CE Capt. Arthur J. Sheridan 710 Army Bldg. 39 Whitehall St. MD Lt. Col. Harold D. Rogers First Ave. & 58th St. SC Col. Consuelo A. Seoane First Ave. & 58th St. CWS Mr. Edwin M. Allen Room 404, 45 Broadway	OD Col. Harry Scullin 405 U.S. Custom & Court-house MD Lt. Col. Royal K. Stacey Second & Arsenal Sts.
<b>Baltimore</b> AC Maj. E. D. Perrin % Glenn L. Martin Co.	<b>Cincinnati</b> OD Mr. Edward A. Muller 521-523 P.O. Bldg.	<b>Dayton</b> AC Lt. Col. O. P. Echols Wright Field	<b>San Antonio</b> QMC Capt. Hartwell M. Elder Normoyle Q.M. Depot
<b>Birmingham</b> OD Col. Theodore Swann 302 Comer Bldg. CE Capt. John R. Noyes 212 Wilson Bldg. Mobile, Ala. SC Maj. Thomas L. Clark 1819 W. Pershing Rd. Chicago, Ill.	<b>Cleveland</b> OD Col. Winthrop Withington 1524 Keith Bldg.	<b>Detroit</b> QMC Capt. Clarence E. Jones (Motor) 611 Federal Bldg. OD Mr. Alex Dow 611 Federal Bldg.	<b>San Diego</b> AC Maj. E. R. McReynolds % Consolidated Aircraft Co.
<b>Boston</b> QMC Lt. Col. Merrill D. Wheeler Army Base OD Col. Charles H. Tenney 2004 P.O. Bldg. CWS Mr. Charles Francis Adams 2000 P.O. & Court House Bldg.	<b>East Hartford</b> AC Capt. R. J. Minty % United Aircraft Corp.	<b>Hagerstown, Md.</b> AC Capt. Chas. W. O'Connor % Fairfield Aviation Corp.	<b>San Francisco</b> QMC Lt. Col. Frank J. Riley Fort Mason OD Mr. Samuel Kahn 118 U.S. Federal Office Bldg. CE Col. S. O. Johnson 409 Custom House SC Maj. Robert C. Vickers Presidio of San Francisco MD Col. Robert Skelton San Francisco General Depot The Presidio CWS Mr. William H. Berg 117 Federal Office Bldg.
<b>Buffalo</b> AC Maj. A. E. Simonin 328 P.O. Bldg.	<b>Hartford</b> OD Col. B. A. Franklin 2640 Main St.	<b>Pittsburgh</b> OD Mr. Frank J. Bell 1032 New Federal Bldg. CE Lt. Col. R. H. Reese 1012 New Federal Bldg. CWS Dr. Wm. O'Neill Sherman 1044 New Federal Bldg.	<b>Santa Monica</b> AC Maj. L. T. Smith Pacific Bldg.
<b>Chicago</b> QMC Col. Henry B. Barry 1819 W. Pershing Rd. OD Mr. Frederick A. Preston 309 W. Jackson Blvd. CE Col. Chester Lichtenberg 1203 W.S.P.O. Bldg. MD Lt. Col. Edwin R. Strong 1819 W. Pershing Rd.	<b>Jeffersonville, Ind.</b> QMC Lt. Col. George Luberoff 10th St. & Meigs Ave.	<b>Rochester</b> OD Col. Ledyard Cogswell, Jr. 1118 Mercantile Bldg.	<b>Seattle</b> AC Maj. John D. Corkillo % Boeing Aircraft Co.
	<b>Los Angeles</b> OD Maj. A. R. Baird Los Angeles Ordnance Region	<b>St. Louis</b> QMC Capt. George M. Grimes Second & Arsenal Sts.	<b>Wichita</b> AC Maj. Ray G. Harns % Steerman Aircraft Co.
	<b>New York</b> QMC Lt. Col. George F. Spann First Ave. & 58th St.		

52. Interested companies should write the nearest office of the Army corps handling the item offered. Companies must prove their competence, financial stability, capacity to turn out war-volume orders with a minimum of expansion.

The queuing business man is a bit shocked to hear Washington cynics say: "Locations for new plants and airfields haven't been determined. When they are you can bet the politicians will be on the job—with an eye for the juiciest real estate options."

Certain localities already are suggested. One bill before Congress seeks appropriations for a 525,000 acre anti-aircraft and firing center at Savannah, Ga.; 2,126 acres for Camp Custer, Mich.; 3,000 acres in the Great Salt Lake Basin (Utah); 13,738 acres for Fort Sill, Okla. Another asks \$76,750 to buy parcels in Choctawhatchee National Park, Fla., for a bombing range of 24,111 acres.

Activities of all Army and Navy manufacturing and service plants will be greatly enlarged. This means more demand at specific points for civilian housing, bigger payrolls, increased retail activity. Army manufacturing arsenals are sure to feel this pressure. Included are arsenals at Frankford, Pa. (small arms);

Holabird, at Baltimore (motor vehicle repair and experimentation); Picatinny, at Dover, N. J. (powder and ammunition); Raritan, at Metuchen, N. J. (storage and rehabilitation of artillery ammunition); Rock Island, Ill. (tanks); Springfield, Mass. (small arms); Watertown, Mass. (artillery guns, gun carriages); Watervliet, N. Y. (artillery guns); Edgewood, Md. (war chemicals, gas masks); Philadelphia Quartermaster Depot (clothing manufacture).

In the same category of expectancy are the Navy Yards at Portsmouth, N. H.; Boston, Brooklyn, Philadelphia, Washington; Portsmouth, Va.; Charleston, S. C.; Mare Island, Calif.; Bremerton, Wash.

### Question for New Commission

The aviation industry wants the necessary extra capacity added to its present plants. But the Army envisions some eight or ten new plants built with government money deep in the midriff of the nation, safe from coastal attack. Such questions may be passed to the President's Defense Advisory Commission. Factors to be considered in new location are power availability, distance from other plants in supplementary activities,

labor supply (and disposition as to trouble). Distance from industrial centers is against Bonneville power but favors that of the TVA.

The Newark, N. J., Airport (closed recently by the shift of commercial lines to La Guardia Field, New York) will certainly be employed in the new air program. The Army indicates that its new pilots will be trained in areas with extended periods of mild weather. The line runs north of North Carolina, Tennessee, Arkansas, Oklahoma, Texas, New Mexico, Arizona, southern California.

Talking to Washington insiders, the visiting business man gets a new slant on the air program. The breathless struggle suddenly to multiply production of planes is not because the U.S. is in imminent danger of bombings. It is first to supply the sorely-pressed Allies, then to prepare the U.S. for possible attacks on the Western Hemisphere. Moreover, the drive is not for 50,000 U.S. fighting planes. It is for capacity to turn out that many planes a year, thus doing away with the necessity for huge stocks and storage. Plans will go through, regardless of the war outlook.

The business visitor may also be surprised to learn that the aviation industry

is running at only about 60% of its capacity of 10,000 to 12,000 military planes annually. Answer: Neither Allied nor U.S. orders have been up to the ballyhoo. The Aeronautical Chamber of Commerce points out that, in addition to its military plane capacity, the industry is producing more than 250 civilian planes per month, including a few large transports. By early fall of next year, the industry expects (with good breaks and perhaps a shift of some civilian production to training types) to achieve an annual rate of 25,000 to 30,000. Because of bottlenecks, the Aeronautical Chamber of Commerce figures that it will take three or four years to reach Mr. Roosevelt's demand for 50,000 planes annually.

### Disquieting to Aviation Industry

Despite this assured demand, the aviation industry is not 100% happy. Disturbing possibilities are two: (a) That government may acquire too much control and forget to give it up; (b) that the automobile colossi will jump into plane production. They are annoyed by such statements as Henry Ford's ("Ford Motor could . . . under our own direction and without meddling . . . swing into production of a thousand airplanes of standard design a day") and William Knudsen's ("I guess General Motors could do it, too, if we laid plans for it"). Mr. Knudsen might have added that G-M already is in aviation production through its North American Division, Englewood, Calif., Allison Engine Division, Indianapolis, and its interest in Bendix Aviation Corp.

In which connection the inquiring business man asks: "Why not mass production of airplanes?"

Mass production, says the industry, would involve "freezing types" as Germany did. It means standardizing on suitable designs and grinding them out without change. That would stop experiment and development, hence is opposed by Army experts. A move in that direction has been made. Secretary of the Treasury Morgenthau has asked representatives of engine manufacturers to set one or two standardized motors for production by each plant. The idea probably will be extended to planes.

### No Blank Checks Yet

Incidentally, Thurman Arnold, head of federal anti-trust activities, has indicated that he will not interfere with legitimate cooperation between business firms for defense, but he hasn't given any blank checks or written assurances.

Secretary Morgenthau told machine tool officials that the defense program would add \$200,000,000 in business, an increase of 50% over their present capacity. Doing the job may involve extra capital investment, operating several shifts instead of one daily. It has already meant cutting down on exports to the international bad boys (Russia, Italy,

Japan) while protecting demands of the Allies. Washington talks of having the government finance the extra investment, but machine-tool makers would prefer favorable conditions for using their own money.

There were no cheers from the aviation industry section when Mr. Morgenthau handed over to Automobile-Maker William Knudsen, as a member of the President's Defense Advisory Commission, the procurement job for aircraft and machine tools. Nor was there aviation applause Monday when Mr. Morgenthau revealed that General Motors, Ford, Chrysler, Studebaker, and Packard had been asking to know how they could help on air problems.

This bears on the suggestion that, after the current tooling-up on 1941 auto models is finished (in about a month), the motor companies will agree to hold over the same models for 1942, thus releasing tool makers for aviation work. Labor Department and union officials assert that there is not now any shortage of skilled machine labor. Admitting that there are local deficiencies, they declare they can be filled from points where there are surpluses. Moreover, it is pointed out that if planes and motors are standardized, training can be speeded.

The business man learns that machinists' unions are likely to be opposed to wholesale training of new men. It takes four years to make a fully-skilled machinist, and the unions traditionally choke down on diluting the ranks through apprenticeships since this protects jobs and earnings. But the government probably won't stand for monkey-

business where defense is concerned. Already there is talk of dipping into the 5,000,000 unemployed youth and training the needed number by expanding the country's 1,300 vocational schools.

"But after they are built," asks the business man, "who is going to fly all those planes?"

He is surprised to learn that the training of pilots may be a simpler problem than the training of machinists. First, flyers can be learning while planes are building. The Civil Aeronautics Authority promises to step up its Civilian Pilot Training Program to qualify 3,000 instructors at once. They are expected to give preliminary training to 45,000 students in addition to secondary training for 9,000 others by Jan. 1, 1941. On top of that, refresher courses will be offered to 5,000 commercial, 7,000 private, 5,000 solo pilots.

Learning to fly an 80-mile-per-hour air flivver and maneuvering a 350-mile-per-hour combat plane are entirely different things. But the CAA program would take a lot of trouble off Army and Navy hands by putting its students through their physical and preliminary flying tests. These air freshmen could complete the 65 hours' flying (required by the Army) or the 72 hours (required by the Navy), thus qualifying themselves for basic combat training, bringing them that much nearer the specialized stages of what is now a four-year course.

### What about Financing?

Business men ask about the financing necessary to carry out the sudden plant expansion for defense. They are assured



Underwood & Underwood



Harris & Ewing

Government and business swapped executives last week when Donald M. Nelson (left), executive vice-president of Sears, Roebuck & Co., took over the full-time job of acting director of the Treasury's Procurement Division; and Capt. Harry E. Collins, formerly U.S.N., who held the Treasury job, resigned to become manager of the export department of Bell Aircraft Corp., Buffalo. Nelson

will have charge of the government's ordinary purchasing, will be chairman of the inter-departmental committee coordinating foreign and domestic purchases. Capt. Collins is credited with backing the idea to consolidate all Army and Navy purchasing under the Treasury's Procurement Division; and Mr. Nelson's going to find a lot of his subordinates impregnated with this theory.

that, while details aren't worked out, plenty of federal funds will be furnished. They are hopeful of liberal tax and obsolescence allowances for companies which employ their own funds but the government is going to be stubborn on this point. There may be a lavish hand-out of Reconstruction Finance Corp. loans, or the government may buy special equipment, or it may erect entire plants for lease to private operators.

President Roosevelt says this defense program isn't going to produce any millionaires. Which means that the government won't be so lenient on profits as it was in 1917-1918. The Vinson Act now provides for a cost-plus profit of 10% to 12% for warships, aircraft and their parts. This may be extended to all types of war materials under the new program.

Companies going after defense orders should be warned that the Vinson Act

lays down the most stringent controls over cost items. Fully detailed cost accounting must be kept with expenses on government orders separated from those on other orders. Profit on government orders must be figured on a much smaller base than for private business. Costs definitely ruled out are interest on invested capital, losses on other contracts, losses from strikes and lockouts, federal and state income and excess profit taxes, bad debts, losses on investments, and frequently sales expense. The law permits losses on naval vessels to be carried forward for only one year and losses on Army and Navy aircraft to be carried forward four years.

### Judging by Last War—

Business men are heartened to hear that the automobile industry expects no trouble in fulfilling requirements on trucks, armored cars, scout cars, tanks. Their spirits further rose when outstanding business executives were appointed to the President's new Defense Advisory Commission (BW—Jun'40,p15). But the business scout in Washington was taken aback by critical blasts from some observers who adjust their sights by events of the last World War. The commission will function under the revived Council of National Defense which is made up of key cabinet members. The original Council, created by 1916 legislation, was an unmitigated flop. Things got done when its functions were taken over by the War Industries Board. This board succeeded largely because Chairman Baruch applied wide powers through allocations of materials and priorities.

Criticism is that the commission hasn't power to do anything but "advise" and "coordinate," that F.D.R. appointed it to hush the demand for business brains in the planning, that he wants to run the whole show as indicated by the defense activities of Sec. Morgenthau whose blind loyalty to the President is a by-word (though not a hissing).

Actually, the federal powers now are so all-inclusive that the Defense Advisory Commission will have as much power as Mr. Roosevelt will allow it. An encouraging portent was Mr. Morgenthau's relinquishment to Mr. Knudsen of the machine-tool mobilization job. He will do the same with problems of the aeronautical industry. Maybe the Treasury is sidetracking its ambition of monopolizing the buying for every government department.

### Closer to Totalitarianism?

Beyond and outside all this are questions which the business man and Washington insiders don't like to think of. Some of them are: Who is going to pay for all this and when? How much of its added powers over industry will the government surrender after the crisis? Aren't we moving in closer to the totalitarian philosophy?

## Who Has Received Educational War Orders

The following list includes only those orders placed from March 15 to date; for orders placed prior to March 15, see BUSINESS WEEK, March 30, p. 49.

### Ordnance

Aiming circle and related items	Mergenthaler Linotype Co., Brooklyn, N. Y.	\$128,953.29
	Eastman Kodak Co., Rochester, N. Y.	104,411.68
Azimuth instrument and related items	Mergenthaler Linotype Co., Brooklyn, N. Y.	152,146.00
Browning machine gun and related items	Saginaw Steering Gear Div., General Motors Corp., Saginaw, Mich.	726,004.00
Cartridges, tracer, and related items	Western Cartridge Co., East Alton, Ill.	454,798.21
Forgings for artillery shell and related items	Baldwin Locomotive Works, Philadelphia, Pa.	240,272.00
Gunnery quadrant and related items	Tuthill Pump Co., Chicago, Ill.	41,513.07
	The Measuregraph, St. Louis, Mo.	29,962.28
Height finder and related items	Eastman Kodak Co., Rochester, N. Y.	394,833.00
Hulls, light tanks, and related items	Van Dorn Iron Works Co., Cleveland, O.	185,244.95
Light tanks and related items	Baldwin Locomotive Works, Philadelphia, Pa.	587,694.00
Machining, shell, and related items	General Iron Works, Denver, Colo.	115,455.00
Mechanical time fuse and related items	New Haven Clock Co., New Haven, Conn.	410,577.00
	Waltham Watch Co., Boston, Mass.	356,085.00
	Elgin National Watch Co., Elgin, Ill.	479,178.12
Recoil mechanism	Walter Scott and Co., Plainfield, N. J.	445,563.14
Telescope mount and related items	Hobart Mfg. Co., Troy, O.	46,099.59

### Chemical Warfare Service

Fully-molded faceblanks and related items (for gas masks)	Firestone Tire & Rubber Co., Akron, O.	58,130.00
	Goodyear Tire & Rubber Co., Akron, O.	58,010.00
	Acushnet Process Co., New Bedford, Mass.	37,520.00
	Milwaukee Stamping Co., Milwaukee, Wisc.	251,089.00
Non-coconut charcoal and related items (for gas masks)	Barnebey-Cheney Engineering Co., Columbus, O.	320,912.00
Whetlerite and related items (for impregnating clothing to make it impervious to gaseous poison)	Barnebey-Cheney Engineering Co., Columbus, O.	60,935.00

### Signal Corps

Wire and related items	General Electric Co., Schenectady, N. Y.	5,385.60
	Belden Mfg. Co., Chicago, Ill.	6,916.80
	Collyer Insulated Wire Co., Pawtucket, R. I.	5,760.40
	Crescent Insulated Wire & Cable Co., Trenton, N. J.	4,919.80
	Rome Cable Corp., Rome, N. Y.	7,249.44
	John A. Roebling's Sons Co., New York, N. Y.	6,148.30
	Circle Wire & Cable Corp., Maspeth, L. I., N. Y.	8,620.00
	Anaconda Wire & Cable Co., New York, N. Y.	4,783.68
	Phelps Dodge Copper Products Corp., New York, N. Y.	7,455.04
	United States Rubber Co., New York, N. Y.	6,781.00
	American Steel & Wire Co., New York, N. Y.	6,864.00
	Hazard Insulated Wire Works Div., The Okonite Co., Wilkes-Barre, Pa.	4,868.16



# MONEY AND THE MARKETS

FINANCE · SECURITIES · COMMODITIES

## Big Board Appears Crisis-Proof

**Weathering of panic precipitated by Nazi invasion of Lowlands points up rôle of specialists in meeting public responsibility by keeping market going.**

THE NEW YORK Stock Exchange didn't have to close when war broke out in Europe nine months ago, it didn't have to close when Hitler launched "total war" against the Allies, and it isn't going to have to close. That's the carefully considered opinion of Big Board members whose task it is to see that the exchange offers at all times the best possible facilities.

Last year, when stock exchange officials and federal authorities met to talk over the prospects of keeping the market open in case of war, none but the most general plans could be drawn for meeting an emergency. All said they thought it could be done, but they admittedly weren't sure what to expect. And, when war came, it brought a rush of buying instead of a bear market panic so that the situation was fairly easy to handle. Paradoxically enough, the crisis didn't come till months later, and when it came it was almost a complete surprise. The suddenness and intensity of the panic from May 10 to May 28 put the stock market to just about as thorough a test as anyone on the trading floor expects in the future, come what may.

### Market Takes Punishment

On May 10, the day the Nazis set upon the Low Countries, 3% was knocked off stock values and trading volume shot up to 2,086,040 shares (nearly four times as many shares as had changed hands on each of two earlier days that week). News over the weekend was anything but reassuring, and losses on Monday amounted to 6% on a turnover of 2,558,990 shares. Next day, May 14, losses of 7.7% were chalked up and volume mounted to 3,680,520 shares.

The next severe break was on May 17 when 5.4% of values were wiped out on a turnover of 3,074,940 shares. On May 21, there was another sharp drop which lopped 6.9% off prices while trading hit the largest figure of recent months at 3,939,610, and finally there was the terrific opening loss on May 28 on news of the Belgian capitulation (a decline which was greatly reduced before the end of that day's trading session).

In the 16 trading sessions from May 10 to May 28, inclusive, transactions on

the New York Stock Exchange added up to 30,290,000 shares or an average of almost exactly 1,900,000 shares a day, and prices were down 23.3%.

The way the Big Board's machinery is geared it could handle 2,000,000 shares a day from now to kingdom come—providing buying and selling orders were fairly evenly distributed. But, on the half dozen bad days to which attention has been called, traders were traveling a one-way street. It was all selling. Buying orders were rarely available anywhere near the last previous quotation.

Under such conditions it would be the easiest thing in the world to imagine a market becoming absolutely demoralized. Present laws make it useless for brokers to go to corporate executives for aid in sustaining prices because an "insider," if he sells securities of his own company within six months of their pur-

chase, is liable to court action compelling him to turn his profits over to the company (although the SEC has made some exceptions recently).

It was up to the men on the floor of the stock exchange, in very large measure, to "make" the market. If they hadn't stepped in, there would have been great gaps in prices from one transaction to the next. If specialists who handle trading in the many stocks traded at each post hadn't bought until they faced crushing losses it is altogether probable that trading would necessarily have been stopped.

Ability to avert such a catastrophe has a story behind it, and a story which probably has never been told in its entirety. It concerns the specialists' broadened realization of their public responsibility. This has come about over a period of years.

In the old days the specialist was noted as a rigger of markets rather than as a public benefactor. Many were the pools they ran in the 1920's. Their interest was fully as much in making money for themselves on their own operations as it was in executing the orders turned over to them by the commission brokers.

Market rigging was outlawed by federal rules as was the right of the specialist to take part with anyone else in market operations (with certain unimportant exceptions). In fact, the SEC long threatened to prohibit anyone from trading for his own account if he was, at the same time, executing orders for others in the rôle of a broker.

As a matter of hard-headed judgment, it came down to the fact that the specialist would have to rely for his livelihood on his execution of orders turned over to him by commission brokers.

### Making It Worth Their While

With this in mind, the stock exchange governors set about to make it profitable for specialists who did a constructive and conscientious job of contributing to orderly markets. When there is a new listing to be assigned, they give it to the specialist who has proved he can maintain a good market; when some member wants to expand his business, the governors do nothing to discourage him from undertaking to specialize in stocks already handled by someone who isn't doing too good a job.

Moreover, the exchange takes positive steps to know just how many of the 300-odd specialists are doing their best to stabilize markets. Each specialist must keep a permanent, running record of all his transactions for his own account. Each purchase or sale carries a mark which shows whether it tended to stabilize the market, to have a neutral effect, or to exaggerate price movements. Constantly the committee on floor procedure checks up these records in surprise calls. Any specialist whose record shows his transactions are not at least 60% of a

### Olds Heads U. S. Steel



*Irving S. Olds, a member of the New York law firm of White & Case, this week was elected board chairman of U. S. Steel, replacing Edward R. Stettinius, Jr., who resigned to serve on the new National Defense Commission. Mr. Olds—a hard-working director of the corporation since 1936—is one of U. S. Steel's "young guard," a liberal in his labor policies.*

stabilizing character can be sure he will be checked up on with increasing frequency until he betters his showing.

On top of that, any specialist who completes a transaction which shows a change in price of more than two points between sales knows that he will be required to submit it to the scrutiny of one of the members of the board of govern-

ors. These and many other even more technical restrictions have been set up to protect the public.

The specialists' duties in a panic market, however, go beyond rules. In these recent days, when sale of 1,000 shares of stock would have knocked prices down 10% to 20% because of lack of buying orders, they have been called upon to

try to stir up outside buying orders or to do enough buying themselves so that the decline wouldn't get completely out of hand. Governors have helped them iron out prices when buyers and sellers were 6 and 8 points apart. The specialists have become owners of large blocks of stock which they will hold for a long time before they can hope to break even.

## Shot in Arm Sought for New-Issue Market

ABOUT THE FIRST OF MAY it appeared that American industry was interested in raising as much as a billion and a quarter dollars in order to refund existing securities and add to working funds. Four stock and bond issues of substantial size had already been prepared for market and a dozen others were nearly ready.

Then came the defeats of the Allied armies which sent American markets tumbling. Probably one of the most striking results of this phase of the war has been paralysis in the new-issue market ever since the second week in May. Only one really big issue has been offered to the public in the last month. That was the \$75,000,000 issue of United States Steel's serial debentures, successfully marketed by a Morgan-Stanley group in spite of troubled market conditions.

Since that time new issues simply have been backing up. Montgomery Ward canceled its offering of common stock to its own stockholders. Bank of America deferred its preferred stock flotation designed to add \$30,000,000 to its capital. Large bond issues like the \$60,000,000 for Texas Corp. and \$38,000,000 for Jersey Central Power & Light have been postponed time after time. Shares offered

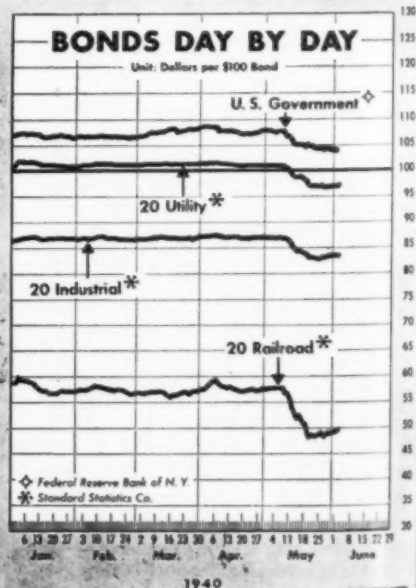
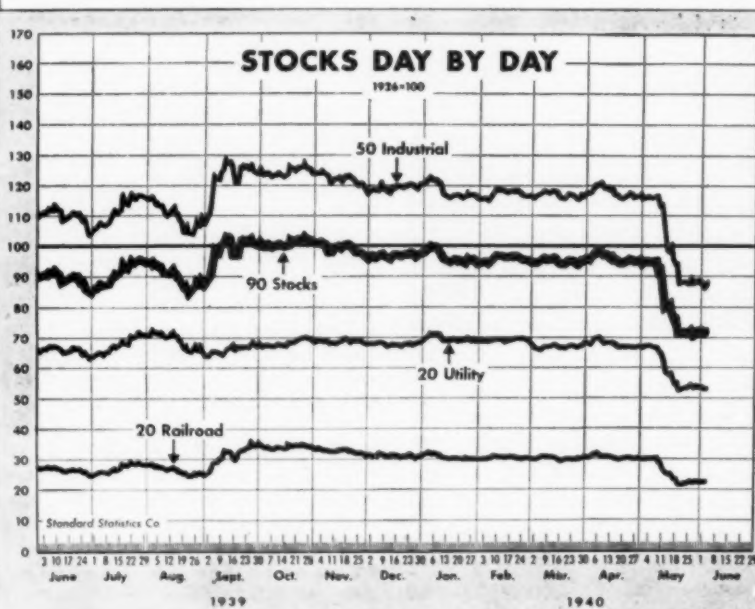
to stockholders of Boeing Aircraft & Eastern Airlines weren't entirely subscribed, so the underwriters gave the companies checks for remaining shares and have distributed most of the stock even though at unsatisfactory prices.

### Ready, and Marking Time

Other issues which have received or are waiting for a green light from the Securities and Exchange Commission include \$32,000,000 of bonds and \$14,000,000 of preferred stock for Indianapolis Power & Light (former subsidiary of Utilities Power & Light which was opened up to the public some time ago with the sale of its common shares), \$12,260,000 for Iowa Southern Utilities, 250,000 shares of West Indies Sugar common, \$3,700,000 of bonds for Pennsylvania Glass Sand, 305,000 shares of Philco's common, \$15,000,000 in two bond issues for Hudson River Power, and \$15,000,000 of bonds submitted to the SEC only this week by Rochester Gas & Electric. In addition, there are a couple of dozen relatively small issues hanging fire, and many more large ones would emerge from the discussion stage if the markets were to take a major turn for the better.

This week investment bankers were scanning the markets—and not without a good deal of apprehension—with the idea that the jam might be broken next week. It has been decided, very tentatively, that such issues as the Jersey Central and the Pennsylvania Glass Sand will be offered to test the market next week if the prospects aren't too unsettling.

The financial community feels that a test should come as soon as possible. It seems certain that many companies will need new money shortly in view of business acceleration. Tool and aircraft manufacturers are swamped with business. Many chemical lines have sold their capacity well into the future. The steel industry would not be surprised if capacity were soon to prove inadequate. Defense requirements undoubtedly will dictate some plant expansion in these and many other lines, and markets will have to improve if such expansion is to be financed through public offerings. Commodity prices have given some effect to the quickened business tone. Important industrial raw materials like the non-ferrous metals have given a much better performance (copper buying has been the most active in weeks).



# PACKING COMPANY SAVES \$33,800 A YEAR

by standardizing on FORD V-8 TRUCKS

PART OF A 100% FORD FLEET • In a good many million miles of operation, this company has found Ford V-8 Trucks the most economical to operate and maintain. An adequate stock of reconditioned engines and parts makes repairs easy and inexpensive.

\$33,800 is a lot of money to lop off your trucking costs. Here's how Luer Packing Company of Los Angeles does it.

This firm has a fleet of 75 trucks that roll up a total of 1,300,000 miles per year. And to keep each truck operating at its maximum efficiency, Luer has built up a remarkably efficient truck maintenance department.

Until recently, the fleet was composed of several makes of trucks. But, after careful study of the cost sheets showed that the Ford Trucks were costing less per mile to operate and maintain, the fleet was gradually made 100% Ford V-8.

Says Mr. Fred Schaefer, Luer's Superintendent of Transportation, "We found Ford Trucks cost less to keep in A-1 condition because Ford parts cost less and they are easier

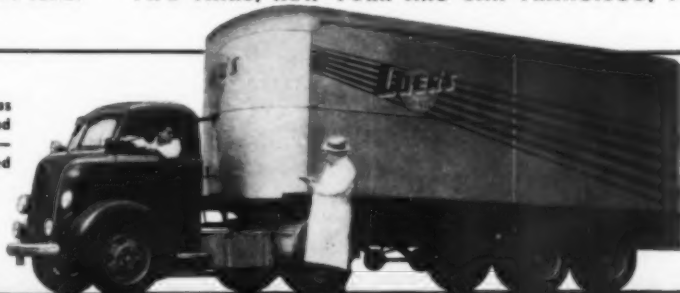
and quicker to install. Ford not only makes everything as simple as possible, but also provides an Exchange Plan whereby we can replace certain worn parts with rebuilt ones that cost less and are just as good."

According to actual cost records, Luer Packing Company estimates a saving of \$.026 per mile, or a total of \$33,800 per year, through the use of a 100% Ford fleet. Wherever complete and accurate cost records are kept, Ford Trucks prove outstanding in over-all economy. Look into Ford economy before you buy your next units.

VISIT THE NEW FORD EXPOSITIONS AT THE TWO FAIRS, NEW YORK AND SAN FRANCISCO, 1940

2754 MILES EVERY WEEK • This husky Ford V-8 Tractor has hauled its big trailer on three round trips to San Diego and three to Bakersfield — a total distance of 2754 miles — every week since January, 1939. The original engine covered 63,000 miles without any repairs.

FOR ONE-STOP DELIVERIES • This 158-inch 1940 Ford V-8 is the type Luer has chosen for fast, direct delivery service.



## FORD V-8 TRUCKS



FORD MOTOR COMPANY, BUILDERS OF FORD V-8 AND MERCURY CARS, FORD TRUCKS, COMMERCIAL CARS, STATION WAGONS AND TRANSIT BUSES



## PAINT

*Paint Facts So Valuable They Should Not Be Strangers to You.*

**Q.** Of the three types of electric lighting—direct, semi-direct and indirect—which is increasing most rapidly in homes, schools, offices and industry?

**A.** Indirect. It gives a better distribution of light and makes for better seeing conditions.

**Q.** What is the light reflector when indirect lighting is used?

**A.** Your ceiling.

**Q.** What is favored to make ceilings reflect more light?

**A.** Save-Lite, the Light-Conditioning Paint.

**Q.** Why?

**A.** Because Save-Lite has a light reflection value of 85% to 87%. Because the Semi-Gloss or Eggshell finish reflects light evenly without harsh glare spots. Because it's easy to keep Save-Lite clean since it is not only easy to wash but does not "hold on" to dirt as many paints do.

**Q.** How much artificial light is necessary for good seeing?

**A.** In schools, at least 30 foot candles (the average is much less than 10).

**A.** In offices, at least 25 and 35 foot candles (the average is less than 10).

**A.** In industry, at least 15 to 20 foot candles (the average is close to 10).

(Remember that outdoors on a cloudy day, you have 200 to 400 foot candles of light!)

**Q.** Will repainting with Save-Lite materially increase the foot candles of light?

**A.** Often doubles the foot candles.

**Q.** What are the effects of better light and better sight?

**A.** Less eyestrain means keener thinking and better work in schools. In business offices, fewer mistakes and faster work. In industry, fewer accidents, faster production, fewer rejects. Case histories to prove all of these points are in the booklet, "Facts about White Paint and Better Illumination". See coupon.

**Q.** Does Save-Lite command a premium price?

**A.** No.

**Q.** Is it more difficult to apply?

**A.** On the contrary. It is easier to apply than most paints. It dries overnight and covers in one coat. It can be easily brushed or sprayed.

**Q.** Can it be used everywhere?

**A.** Almost. But for industrial plants where fumes or moisture are greater than average, a special fume and moisture resisting Save-Lite should be used. This is higher priced than regular Save-Lite.

**Q.** Where can I get further information?

**A.** Send the coupon to the Sherwin-Williams Company, Cleveland, Ohio. No obligation.

**SHERWIN-  
WILLIAMS  
SAVE-LITE**



The Sherwin-Williams Co., Dept B6-8  
101 Prospect Ave., N. W., Cleveland, Ohio  
Please send me your booklet, "Facts about White Paint and Better Illumination".

Name .....

Address .....

City ..... State .....

## BUSINESS ABROAD

FOREIGN TRADE • INTERNATIONAL AFFAIRS • FOREIGN INDUSTRY

### Nazis Try to Reverse Blockade

**Destruction of British and French ports is threatened on top of conquests which have assured Reich all necessary supplies except food and oil.**

A NEW SITUATION is developing in Europe as a result of Germany's gigantic new drive in northern France, following the conquest of all of northern Europe. Berlin is trying to reverse the blockade on Britain and France.

Swedish iron ore—one of the most important war materials—is under complete German control now. So are the coal mines of Poland, Czechoslovakia, and Belgium—which means that Hitler holds all of the important deposits on the European continent. France's great iron mines in the Lorraine area, richest in all Europe, are under the guns of the Nazis, and Luxembourg ore is already pouring into Nazi blast furnaces. Spain's iron ore is the only important continental source still open to the Allies, and Madrid has already declared its friendship for Italy.

German planes are poised at Channel airports threatening all shipping through the English Channel. No one will be surprised if the first attack on Britain will be mass air raids on the six ports through which the British are fed and industrial raw materials are delivered.

#### Oil and Food Are Still Worries

It is the second war essential—oil—that is still a worry for the Germans. There are no natural oil resources in Western Europe. But this will become an equal worry to the Allies if their ports are destroyed by German planes.

Germany has won huge supplies of stored oil in Denmark, Norway, Holland, and Belgium. The Nazis are reported already to have moved a huge oil refinery (owned by an American company) from southern Norway to Germany, but two of the big Hamburg refineries (also owned by American oil interests) are reported damaged as a result of Allied air raids. If the tide of war is turned against Germany in the near future, it will be because the Nazis have used up their last reserves of fuel needed by their huge motorized army.

Germany's food problem is also acute. Despite Nazi claims in all leading German newspapers this week that Germany will enter the second war year with a grain reserve at least equal to the supplies in storage at the outbreak of hos-

#### Allies Unleash Buying

IN 150 MINUTES on May 21, the British Parliament passed a bill giving the government totalitarian control over labor, capital, and all means of production in Britain for the duration of the war.

Direct repercussion this week was the announcement from the New York headquarters of the British Purchasing Commission, at 15 Broad Street, that after June 17, all machine tools purchased in the United States by the British will be channeled through the mission. In the past, individual firms in Britain have been placing their orders with American agents in London and getting in the way of each other in this market. All British buying of war materials under the new war regimen will be handled through a rigid government monopoly.

Since a week ago Thursday, in anticipation of the move, the British mission has released huge orders in this market for machine tools. The French mission, apprehensive lest limited American plant capacity be absorbed, has also poured a stream of big new orders into our market.

Another indication of the preparations of the Allies for a long war was the announcement this week that they are behind the creation of a new company to be known as Tennessee Powder Co. which will build on several thousand acres of land near Memphis a plant which by the end of this year is expected to be employing 5,000 men in the production of powder and munitions. Du Pont interests will operate the company for the Allies but will have no share in ownership.

ilities last September, Germans now are responsible for feeding huge conquered populations. To the million Polish prisoners who are being forced to meet the labor shortage on German farms, and

being added now another million prisoners taken in the Western Front campaign. But all Germany's efforts will not be able to meet the demand.

It is necessary for the Nazis to extend territorial control to regions where there is normally a surplus of food supplies. This first of all is the Balkans; beyond that it is in Africa and the Americas. Hitler's drive this week is to break the Allied blockade—and reverse it if possible. More directly than anything that has happened, it makes the war an immediate problem for America.

### "Right to Live"—and Expand

Americans have speculated for weeks on the direct effects that a Hitler victory would have on the United States. Long ago, when describing his dreams of empire to his followers, Hitler said:

"If there is a place where democracy is senseless and suicidal, it is in South America. . . . We shall not land troops like William the Conqueror and gain Brazil by the strength of arms. Our weapons are not visible ones. . . . With the breakdown of the British Empire, I believe we can also break Anglo-Saxon influence in North America. . . . If we had Mexico, we should solve all our difficulties. With the treasure of Mexican soil, Germany could be rich and great. . . . Some day, when I order war, I shall not be in a position to hesitate because of the 10,000,000 young men I shall be sending to their death. There is only one legal right, the nation's right to live."

This week, an exultant Nazi press began to speak with confidence of the peace which Hitler shall dictate. "Lebensraum" was newly defined as the territory which would "correspond to the Reich's greatness, its superior efficiency, and to the necessities of complete security." This, one editor wrote, means undisputed German economic hegemony over continental Europe and admission to the raw material resources of all the world. Nazis reflected on old dreams of a return of all of Germany's former island possessions in the Pacific, enlarged by the rich Dutch East Indies and New Guinea, of control of the Soviet Ukraine, and of a Great German colony in central Africa.

### Beer-Hall Economics

In Berlin beer halls this week and even in street corner discussions of the "new Germany," there is an overbearing attitude in each reference to future economic relations with the United States. Among insiders there are frank claims that, unlike the years after 1918, Germany today will have no need for American gold or credit in order to revive German industry. Reconstruction alone will absorb the labor mass when it is demobilized from the front and from the making of munitions. And there will be no need for credit because Germany will draw all its raw materials from its own colonies or from spheres of economic influence where it can force barter deals.



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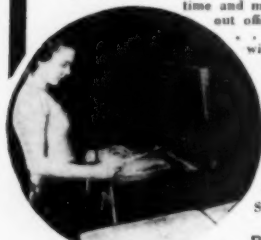
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TRAFFIC AGENTS—CANADIAN PACIFIC

**Dominion vs. Truckers**

**Federal regulation of highway transport passes initial stages at Ottawa. Protest planned.**

OTTAWA (*Business Week Bureau*)—Under cover of Parliament's preoccupation with war, Canadian truckers face the prospect of being placed under the federal control they successfully resisted only two years ago. Their fate is wrapped up in Bill 14, which slipped quietly through its initial stages in the Commons during the storm over war effort.

Because the 1938 effort to make highway transport toe a federal line was knocked out as an invasion of provincial jurisdiction, Bill 14 avoids a constitutional issue by ostensibly governing "international" trade. The joker lies in the definition of international trade as not

only the through movement of goods to points outside of Canada, but also as "any transport of goods wholly within Canada which forms part of a through movement of goods, whether or not on one bill of lading."

Thus truckers could escape regulation only by avoiding inclusion in their loads of any goods which had been imported into Canada or were destined for export. That would be extremely difficult, and would put a crimp in their business.

Organizing to fight again, the truckers have to overcome a handicap that they were free of two years ago: increased public concern over the financial condition of Canada's railroads. Through its licensing powers, the proposed Transport Board could keep an operator off the roads if it wasn't satisfied that his service was a public necessity. Where truck lines and railroads overlap, the board might be hard to convince.

**Briefed from the Cables**

Moscow (*Wireless*)—Goal for 1942 pig iron and steel ingot production, compared with statistics on the last three years' output, gives an idea of Russia's hopes and Russia's limitations—whether she's a belligerent or neutral. Their significance is even further heightened by contrast with German and American figures.

**Pig Iron**

(in millions of net tons)

	1937	1938	1939	1942 <sup>1</sup>
U. S. S. R.	16.0	16.2	17.2	24.3
Germany	18.0	20.4 <sup>2</sup>	22.6 <sup>2</sup>	
U. S. A.	41.6	21.5	39.8	

**Steel Ingots and Castings**

(in millions of net tons)

	1937	1938	1939	1942 <sup>1</sup>
U. S. S. R.	19.5	19.9	19.5	30.9
Germany	22.6	25.6 <sup>2</sup>	27.5 <sup>2</sup>	
U. S. A.	56.6	31.8	52.8	

<sup>1</sup> Planned.<sup>2</sup> Greater Germany.

In addition to these production potentials, Russia is working hard to build up rubber reserves. A licensee for German Buna patents since last summer's Russo-German pact (*BW*—June 14, p. 47), Moscow is also interested in recovering rubber from old tires, opened a research laboratory near Kiev last month.

LONDON (*Cable*)—Not until five months after the outbreak of war did the slow-moving Chamberlain government set up an Export Council. This week, barely 15 days after the creation of Britain's wartime totalitarian government, 120 export boards representing that many industries were hard at work standardizing products, redesigning goods to meet specific foreign demands, organizing intensified sales drives.

Despite the vigor behind the new

efforts, Americans will have dwindling competition from the British heavy industries because of the pressure of war demands.

An Argentine offer was reported this week to provide Britain with 1½ tons of corn for each ton of British coal delivered at Buenos Aires. London gossip insisted New York had made a better offer on corn, and that the Argentine was left to find some other necessity to offer Britain.

OTTAWA—Some 21 freighters that Canadians have operated on the Great Lakes are being taken over by the British government for coastwise trade around the British Isles. These boats are in addition to the eight freighters of the "canal" type taken over by London from Canada Steamship Lines last fall. As some of the newly acquired boats are in the large-tonnage class, they are being cut in two at Lake ports to be towed through the St. Lawrence canals. They will be joined again before the trip overseas. Every shipyard in Canada has enough business booked at present to keep busy until the summer of 1941.

LONDON (*Cable*)—The two Labor members who were brought into the Churchill cabinet, following the reshuffling of the British government a few weeks ago, are making their influence felt. They are responsible for a little-noticed proposal last week that Britain's old age pension rate be boosted from 10 shillings to 19 shillings 6 pence a week to help cover the soaring cost of living since the war. Estimated cost to the government of the increase is £10,000,000.



## War Orders at Last

Canadian firms get go sign as premier adopts vigorous course and London delays are overcome.

OTTAWA (Business Week Bureau)—In the face of unmistakable public uneasiness over the moderate course the government pursued up to Zero Hour in Europe, Prime Minister Mackenzie King has taken steps which, in some cases, will push up Canada's war program by months.

Contractors and manufacturers who have been angling for contracts since the war's beginning are being handed plans and specifications for particular jobs, and instructed to pitch in. To a large extent, price bidding has been abandoned for immediate war business. Aviation training schools not scheduled until 1941 will be in service this fall.

Through the extraordinary powers conferred on him by the War Measures Act, Supply Minister C. D. Howe has set up a \$5,000,000 government-controlled commercial corporation specializing in purchases requiring speed, secrecy, economy.

Premier for more years than anyone else in Canadian history, King's chief political asset is an ability to gauge public opinion accurately. With most of the country still behind him and with the English scared and cooperating, he may be able to beat off a Conservative drive for a Union government under former Premier Arthur Meighen.

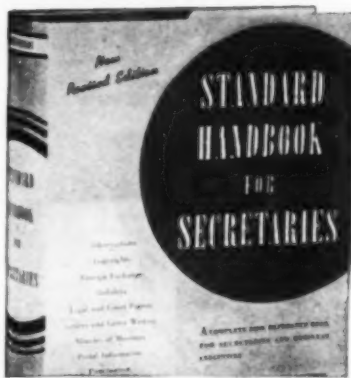
In the past, King has largely blamed Britain for Canada's slowness in getting war industries under way. British manufacturers have been reluctant to give up private blueprints (BW—Jun 1 '40, p. 49) on the art of arms-making and are charged with having stalled definite orders for Canada, just as they have delayed placing many big orders in the United States until this week.

### From Jungle to War

The most decisive evidence of a change of heart and conduct was the appointment last week of a Canadian as liaison officer between the Canadian and British governments for war purchases. Charles A. Banks, of Vancouver, will serve in London without pay. Recognized as a brilliant organizer and with a world-wide reputation as a mining engineer, he won prominence by developing placer deposits in jungle regions in various parts of the globe. He now leaves the managing directorships of the Bulolo Gold Dredging Co., Ltd. (New Guinea), Pato Consolidated, Ltd. (Colombia), and other companies.

Whether King will hold his power or not depends a lot on Allied success in stopping the Germany military machine, but he also needs a top-speed domestic program, a flow of war orders from London, and Charley Banks' best services.

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## THE TRADING POST

### Those "Civil Liberties"

NOW THAT the American people are waking up to the threat against their national security and bestirring themselves to do something about it, some of our professional "liberals" are sounding off again about our "civil liberties."

Many of them, of course, are the kind of people who would quell a riot by quoting Robert's Rules of Order to the mob or appease a stick-up man by reciting the Golden Rule to him. They are gentle and well-meaning souls. They would tolerate a rattlesnake in bed with them until it proved its unethical propensities by striking them. Then, say such "liberals," it would be time to get rough with it. Which is a good trick—if you can do it!

Another school of "liberals" consists of the "liberals for politics only." You can tell them by their selective liberalism. They are highly discriminating, for instance, in what "civil liberties" have their support. They get quite emotional over the "civil liberties" of those whose votes they seek, but are quite callous with respect to the "civil liberties" of others—those who dare to differ with them or those whose votes they can't hope to corral anyway.

There are other brands of "liberals," each identified by its attitude toward "civil liberties"—those of themselves and their friends as against those of others.

Now I have no prejudice against liberals—without the quotes, regardless of whether I see eye to eye with them on specific issues—including the one I'm about to draw. Neither do I undervalue our civil liberties—again without the quotes. I have enormous respect for the liberal principles of tolerance and respect for the rights of others, of freedom for individual thought, speech, and action. It is those principles that are at stake today and our land may yet be the last ditch in their defense.

Indeed, so great is my respect for them that I am willing to see them abridged for the time being, if by doing that we can help secure them for those who will come after us. That, I think, is the attitude of most true liberals—without the quotes—although I know there are some in that category who honestly fear that any abridgment of civil liberties, even to deal with a crisis, is too great a sacrifice of hard-won progress. I cannot agree with them, but I respect their opinion on what is, after all, a question of relative values.

But I cannot forget the lessons of the last two years. If they teach us anything at all, it is that we should be slow to scoff at the menace of foreign espionage

and subversive plotting. It's a good old American custom to laugh off such matters. To us, "spy-stuff" is merely the raw material of thrillers, comics, or melodrama. "It can't happen here!"

\*\*\*

But that attitude and that idea are as obsolete as the embattled farmer and his ever-ready flintlock. Today, a handful of men with modern weapons, plus another handful of traitors in public office or in a few key spots of industry, can intimidate thousands, seize the vital agencies of community life and impose an alien will on cities and nations.

When we have the full story of the recent invasions—from Austria to France, and who knows what more by the time this gets into print—I suspect they will read like the wildest imaginings of Anthony Hope, E. Phillips Oppenheim, and John Buchan. Probably no trick of espionage, propaganda, treachery, deception, or panic-breeding has been overlooked. It all will seem far-fetched and fantastic. But it has worked!

The new technique of predatory warfare requires that the victims of aggression be smothered in the cloak of their own "civil liberties" before the knife is driven home, that wars be half won before they are recognized as such, that character and decency be turned to the destruction of those who respect them. It counts heavily on the folly of those who are complacent in their righteousness; it cloaks its operations without scruple in the very liberties the aggressor is out to destroy.

I'm not complaining even a little bit that this is so. If that's the way to win wars in these times, then that's the way to fight them. For wars are meant to be won. My only point is that we are fools if we think we can go on living in this world and ignore such devastating realities. If the game of the day happens to be hockey, we're saps to think we can stay on the ice under the rules of croquet. If, unhappily, we must spend some time in the tough quarter of town, we can't hope to comport ourselves as though we were at a Boy Scout jamboree. And my own hunch is that we are going to spend some time in just about the toughest neighborhood this world has known for at least a century.

So, much as I respect and cherish the benefits I derive from American civil liberties, I value even more highly the survival of the nation and the institutions behind those liberties. If we abridge our liberties and save the nation, they can live again in their fullness; but if we let the nation perish, surely our liberties will be lost for generations to come.

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# BUSINESS WEEK

*With Which Is Combined The Magazine of Business*

June 8, 1940

## We've Got the Men—But What Kind?

WHILE WE TALK of our defense program in terms of machines, impressed as we are by the awful sweep of the war machines in Europe, let us not forget that our primary problem is one of effective manpower. The machines of war are made and operated by men.

And when we say "effective manpower" let us remember that the adjective is tremendously important. Even in the depression and hysteria of weeks in which empires crack, we may be prone to console ourselves by the conviction that the American potential in manpower, as in productive capacity, is overwhelmingly strong. But the effectiveness of our millions under the conditions we face and within the time limits that may be set us is another matter.

Today, we are thinking of manpower primarily in terms of preparedness to fight, not in terms of fighting. It is true that soldiers do not spring from the factory workbenches ready to fight a modern war but, before we deal with that fact, we must face another of more immediate importance: that men do not spring to factory workbenches ready on demand to make the machine tools, the airplanes, and all the variety of armament that we must have for our defense before we can rally our armed defenders.

A FIRST REQUISITE of America's defense program is an accurate survey of our actual need of mechanics and a plan for training the men required to fill any deficiencies. Then only shall we have taken a start toward making American manpower effective.

All kinds of estimates of our need are being published, with a fine display of contradiction. The American Federation of Labor's International Association of Machinists recently reported that it had on its rolls 15,000 unemployed machinists who could be placed in industry overnight. At the same time, the Navy Department was telling Congress that, on seeking 700 workers in one class of skilled labor, it was advised that there was a plentiful supply of these men in the Midwest industrial region—and that actual investigation revealed only five such workers available. The National Metal Trades Association, with 819 member companies, says that, through its training program, it has available trained personnel to allow an immediate 15% to 20% expansion. The Board of Directors of the National Association of Manufacturers flatly declares that "a shortage of skilled labor exists in many occupations vital to national defense."

Common sense tells us that we have a vast reservoir of unemployed from which to draw, but it takes more than common sense to tell us how many of these unemployed have had mechanical training, how many of

that number have grown skill-rusty from long idleness, how relevant each one's experience is to the special needs of defense production and to the new techniques that have been developed since they were employed. It will take very exact knowledge to tell us how many of the untrained men can be trained in how short a time and how we can go about the job most effectively.

This information on both jobs and men must be had quickly and it must be accurate, not hysterical or calculated exaggeration. The federal Bureau of Employment Security hopes to complete by June 15 an inventory (as of April 1) of 5,100,000 active job applications classified by 7,000 occupations, drawn from 1,500 federal employment offices, plus 3,000 itinerant points. These figures, broken down by states, will help but this is only a beginning. The problem is one that merits the first attention of everyone concerned with defense up through Sidney Hillman, labor member of the Advisory Commission on National Defense, to the President himself.

HOWEVER, MR. HILLMAN and the President face another problem equally vital to the job of making American manpower effective for defense. It will not be effective if organized labor makes our defense need an opportunity for increasing its own security at the cost of the security of the nation. This is not the time for pressing arbitrary demands designed solely to strengthen the unions any more than it is the time for chiseling away labor's legitimate gains under the plea of patriotism.

There has been a lot of talk about the need of Mr. Hillman in Washington to protect labor's legislative gains. However, no one should know better than this responsible labor leader that his most important job there will be to see that labor's position and its honor are protected by the observance of its responsibility to the nation all the way down the line. The effectiveness of our manpower depends finally both on the ability and on the responsibility of our men.

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